

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Long-term Obligations activity for the Year Ended June 30, 2005:

Governmental Activities:	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Amount Due Within One Year
Long-Term Obligations, Notes, Loans and POC's:					
Convention Facility-Cobo Center	\$ 135,568,138	\$ -	\$ 10,555,000	\$ 125,013,138	\$10,830,000
Convention Revenue Bonds					
Detroit Building Authority Bonds					
Madison Center Project	11,413,826	-	1,491,873	9,921,953	1,599,790
Disaster Relief State Aid Bonds	47,395,000	-	10,540,000	36,855,000	-
Self-Insurance Limited Tax Bonds	98,895,000	62,285,000	-	161,180,000	14,585,000
General Obligation Tax Bonds	523,555,000	192,730,000	184,400,000	531,685,000	30,855,000
General Obligation Limited Tax Bonds	157,825,000	98,815,000	18,565,000	238,075,000	22,795,000
Total general fund bonds	974,151,964	353,830,000	225,151,873	1,102,830,091	80,664,790
Federal Note - Cargill Project	5,208,000	-	942,000	4,266,000	990,000
Federal Note - Enbridge Project	2,900,000	-	85,000	2,815,000	90,000
Federal Note - Michigan Packaging Project	1,945,000	-	105,000	1,840,000	105,000
Federal Note - Riverfront Project	1,290,000	-	1,290,000	-	-
Federal Note - Suburban Project	330,000	-	80,000	250,000	80,000
Federal Note - New American Project	9,700,000	-	15,000	9,700,000	15,000
Federal Note - Macmillan Wellness Center	-	7,789,000	-	7,789,000	-
Loan Payable to Downtown	-	-	-	-	-
Development Authority	33,600,000	-	-	33,600,000	-
Loan Payable-CE Capital - Schedule-009	2,237,537	-	435,355	1,802,182	492,242
Loan Payable-CE Capital - Schedule-010	176,130	-	34,884	141,246	39,464
Loan Payable-CE Capital - Schedule-011	14,320,318	-	6,860,798	7,459,520	2,697,231
Loan Payable-CE Capital - Schedule-012	491,400	-	106,899	384,501	95,235
Loan Payable-CE Capital - Schedule-013	1,285,029	-	106,148	1,178,881	111,474
Loan Payable-CE Capital - Schedule-014	529,661	-	90,765	438,896	103,018
Loan Payable-CE Capital - Schedule-015	-	149,320	27,764	121,556	48,902
Loan Payable-CE Capital - Schedule-021	-	168,031	12,850	155,181	53,728
Total Governmental Notes and Loans	75,253,075	8,104,350	10,192,463	73,164,963	4,921,293
Pension Obligation Certificates	-	1,170,607,422	-	1,170,607,422	-
Total Long-Term Bonds, Notes, Loans, and Pension Obligation Certificates	\$ 1,049,405,039	\$ 1,532,541,772	\$ 235,344,336	\$ 2,346,602,476	\$ 85,586,083
Other Long-Term Obligations:					
Accrued Compensated Absences	140,471,015	19,527,492	3,000,213	156,998,294	112,401,028
Claims and Judgments	121,872,574	20,419,251	9,349,644	132,942,181	5,035,133
Workers' Compensation	65,417,378	11,939,499	12,657,646	64,699,231	12,080,784
Total Other Long-Term Obligations	327,760,967	51,886,242	25,007,503	354,639,706	129,516,945
Total General Long-Term Obligations	\$ 1,377,166,006	\$ 1,584,428,014	\$ 260,351,839	\$ 2,701,242,182	\$ 215,103,028

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Business-Type Activities:	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Amount Due Within One Year
Major Funds:					
Long-term Debt and Obligations					
Sewerage Disposal Fund:					
Bonds Payable	2,375,152,599	430,028,974	(141,355,000)	2,663,826,573	50,035,000
Pension Obligation Certificates Payable	-	8,769,811	-	8,769,811	-
Accrued Compensated Absences	12,198,263	2,255,076	(495,333)	13,957,906	5,556,011
Accrued Public Liability and Workers' Compensation	2,306,684	475,827	(954,542)	4,727,969	895,155
Transportation Fund:					
Capital Lease for Buses	-	32,110,926	-	32,110,926	2,277,808
Pension Obligation Certificates Payable	-	103,083,553	-	103,083,553	-
Accrued Compensated Absences	3,720,161	69,603	-	3,799,764	3,039,331
Accrued Public Liability and Workers' Compensation	3,548,100	1,731,846	(318,586)	4,961,360	992,272
Water Fund:					
Bonds Payable	1,713,435,000	426,605,000	(148,425,000)	1,991,615,000	24,595,000
Pension Obligation Certificates Payable	-	157,548,214	-	157,548,214	-
Accrued Compensated Absences	15,989,521	4,303,965	(1,379,814)	18,413,672	8,604,763
Accrued Public Liability and Workers' Compensation	15,778,254	7,193,612	(4,260,529)	18,711,346	3,470,751
Automobile Parking Fund:					
Bonds Payable	67,108,000	360,000	(6,615,000)	60,853,000	6,615,000
Accrued Compensated Absences	447,093	112,098	-	559,191	351,636
Accrued Public Liability and Workers' Compensation	469,278	11,154	(108,895)	369,537	62,456
Other Long-Term Obligations:					
Total Bonds and Leases Payable	4,155,687,599	879,104,900	(296,395,000)	4,738,397,499	83,822,808
Total POC's Payable	-	269,392,778	-	269,392,778	-
Total Accrued Compensated Absences	32,392,316	6,651,296	(1,864,242)	37,059,370	17,514,197
Total Public Liability and Workers' Compensation	34,655,687	9,412,148	(5,586,874)	38,480,961	5,379,972
Total Long-Term Debt and Obligations	\$ 4,212,735,602	\$ 1,164,569,922	\$ (303,966,116)	\$ 5,073,339,408	\$ 108,716,979
Component Units:					
School District of the City of Detroit:					
Bonds, Notes and Leases Payable	1,589,246,409	210,972,243	(88,913,109)	1,711,275,543	47,733,281
Accrued Compensated Absences	147,692,684	3,853,000	(33,156,393)	118,419,291	6,308,877
Accrued Public Liability and Workers' Compensation	56,401,669	149,156,611	(155,067,464)	41,810,816	16,990,913
Other Component Units:					
Bonds, Notes and Leases Payable	799,152,416	-	(72,589,831)	686,562,585	68,844,523
Total Accrued Compensated Absences	5,185,104	1,043,852	-	6,228,956	541,882
Accrued Public Liability and Workers' Compensation	489,812	-	(817,913)	274,899	142,256
Total Other Long-Term Obligations	\$ 264,923,532	\$ 1,043,852	\$ (73,025,744)	\$ 693,861,640	\$ 69,338,603

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5. Derivatives not reported at fair value

The City is party to derivative financial instruments consisting of interest rate swaps that are intended to effectively convert variable-rate financings to fixed-rate financings. These are not reported at fair value on the Statement of Net Assets at June 30, 2005.

Objective of the swaps. In order to better manage its interest rate exposure and to reduce the overall costs of its financings the City has entered into 31 separate fixed-payor interest rate swaps.

Terms, fair values, and credit risk. Certain key terms, fair market values, and counterparty credit ratings relating to the outstanding swaps as of June 30, 2005, are presented below. The notional amounts of the swaps, except those with effective dates of 9/1/06, and 3/1/07 match the principal amounts of the outstanding financings. The swaps with effective dates of 9/1/06, and 3/1/07, were entered into to hedge future interest rate risk and will be associated with financings expected to be issued prior to the effective dates. Except as discussed under rollover risk, the City's swap agreements contain scheduled reductions to outstanding notional amounts that match scheduled or anticipated amortization of associated financings.

Market access risk. The City is exposed to market access risk on its hedge swaps or forward starting swaps in the event that it will not be able to enter credit markets or in the event that the credit will become more costly.

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Associated Financing Issue	Notional Amounts (\$)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Final Maturity of Bonds	Counterparty Credit Rating
Building Authority Series 1999-A	\$28,300,000	10/23/1999	7.48%	LIBOR BBA IMT+28%	-12,994,348	7/1/2029	7/1/2029	A1+/AA+/AA+
Sewage 1998-A	68,000,000	12/10/1998	4.51%	BMA (2)	-8,544,876	7/1/2023	7/1/2023	A2+/AA+/AA-NR
Sewage 1998-B	67,000,000	12/10/1998	4.51%	BMA	-8,570,700	7/1/2023	7/1/2023	A2+/AA+/AA-NR
Sewage 2001-C (3)	47,723,000	6/7/2001	4.07%	BMA	-699,037	1/1/2006	7/1/2029	A3+/AA+/AA-NR
Water 2001-C (3)	30,032,000	6/7/2001	4.70%	BMA	-2,620,915	7/1/2011	7/1/2029	A3+/AA+/AA-NR
Water 2001-C (3)	47,628,000	1/1/2006	5.42%	BMA	-4,862,486	7/1/2011	7/1/2029	A3+/AA+/AA-NR
Water 2001-C	114,150,000	6/7/2001	4.90%	BMA	-20,866,778	7/1/2026	7/1/2026	A3+/AA+/AA-NR
Sewage 2001-C-1	156,500,000	10/23/2001	4.33%	BMA	-21,294,528	7/1/2027	7/1/2027	A2+/AA+/AA
Sewage 2001-C-2	124,500,000	10/23/2001	4.77%	BMA	-18,778,403	7/1/2029	7/1/2029	A2+/AA+/AA
Water 2003-B	1,980,000	1/30/2003	3.31%	CP+ 1.01%	48,004	7/1/2009	7/1/2009	A3+/AA+/AA
Water 2003-B	2,290,000	1/30/2003	3.31%	CP+ 1.12%	37,687	7/1/2010	7/1/2010	A3+/AA+/AA
Water 2003-B	2,500,000	1/30/2003	3.35%	CP+ 1.25%	36,136	7/1/2011	7/1/2011	A3+/AA+/AA
Water 2003-B	2,175,000	1/30/2003	3.34%	CP+ 1.33%	16,814	7/1/2012	7/1/2012	A3+/AA+/AA
Water 2003-B	2,800,000	1/30/2003	3.37%	CP+ 1.34%	22,993	7/1/2013	7/1/2013	A3+/AA+/AA
Water 2003-B	2,500,000	1/30/2003	3.40%	CP+ 1.36%	20,815	7/1/2014	7/1/2014	A3+/AA+/AA
Water 2003-C	2,005,000	1/30/2003	3.37%	CP+ 1.34%	15,887	7/1/2013	7/1/2013	A3+/AA+/AA
Water 2003-C	2,330,000	1/30/2003	3.40%	CP+ 1.36%	-961	7/1/2014	7/1/2014	A3+/AA+/AA
Water 2003-D	150,965,000	2/6/2003	4.08%	BMA	-15,909,265	7/1/2013	7/1/2013	A2+/AA+/AA-NR
Sewage 2003-B	150,000,000	5/22/2003	4.14%	BMA	-4,737,666	7/1/2013	7/1/2013	A2+/AA+/AA-NR
Water 2004-A	77,010,000	5/13/2004	3.94%	BMA	-6,144,663	7/1/2015	7/1/2015	A2+/AA+/AA-NR
Water 2004-B	163,590,000	5/13/2004	3.85%	BMA	-16,637,688	7/1/2015	7/1/2015	A2+/AA+/AA-NR
Sewage Hedge Swap	125,000,000	9/1/2006	4.96%	BMA	21,213,500	7/1/2036	7/1/2036	NA A2+/AA+/AA
Pension Obligation Certificates-GRS	161,400,000	6/2/2005	5.12%	3 MTH LIBOR +.28%	6,185,075	6/15/2025	6/15/2025	A2+/AA+/AA
Pension Obligation Certificates-PFRS	150,369,000	6/2/2005	4.64%	3 MTH LIBOR +.18%	2,096,442	6/15/2014	6/15/2014	A2+/AA+/AA
Pension Obligation Certificates-PFRS	168,231,000	6/2/2005	4.98%	3 MTH LIBOR +.28%	4,783,333	6/15/2018	6/15/2018	A2+/AA+/AA
Pension Obligation Certificates-PFRS	53,800,000	6/2/2005	5.12%	3 MTH LIBOR +.28%	-2,027,204	6/15/2025	6/15/2025	A2+/AA+/AA
Pension Obligation Certificates-GRS	50,123,000	6/2/2005	4.64%	3 MTH LIBOR +.18%	-700,403	6/15/2014	6/15/2014	A2+/AA+/AA
Pension Obligation Certificates-PFRS	56,077,000	6/2/2005	4.98%	3 MTH LIBOR +.28%	-1,581,174	6/15/2018	6/15/2018	A2+/AA+/AA
Pension Obligation Certificates-PFRS	53,800,000	6/2/2005	5.12%	3 MTH LIBOR +.28%	-2,033,307	6/15/2025	6/15/2025	A2+/AA+/AA
Pension Obligation Certificates-GRS	50,123,000	6/2/2005	4.64%	3 MTH LIBOR +.18%	-659,624	6/15/2014	6/15/2014	A2+/AA+/AA
Pension Obligation Certificates-PFRS	56,077,000	6/2/2005	4.98%	3 MTH LIBOR +.28%	-1,553,680	6/15/2018	6/15/2018	A2+/AA+/AA

1. Notional amount balance as of July 1, 2005
2. The Bond Market Association Municipal Swap Index™
3. Denotes that the swap termination date does not match the final maturity of the financings.

Fair Value: Because interest rates have generally declined since the time the swaps were negotiated, many of the City's swaps have a negative fair value as of June 30, 2005. The negative fair values may be countered by lower total interest payments required under the variable-rate financing, creating lower synthetic interest rates.

Credit Risk: As of June 30, 2005, the City was not significantly exposed to net credit risk as the majority of the swaps had net negative fair values. However, should interest rates change and fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair value.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below certain rating levels by Fitch Ratings, Standard & Poor's, and/or Moody's Investors Service. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

Basis Risk: The City is not exposed to significant basis risk on its swaps because most of the variable payments received are based on the BMA index. The CPI indexed swaps are associated with CPI indexed financings and thus create no basis risk. The LIBOR based swap has basis risk on \$28.3 million of swaps.

Termination Risk: The City or counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In such cases, the City may owe or be due a termination payment depending on the value of the swap at that time. In addition, the City is exposed to termination risk, but not termination payments, on certain of the City's swaps related to Water Series 2001C, Water Series 2003D, Water Series 2004-A, Water Series 2004-B, Sewer Series 1998A, Sewer Series 1998B, Sewer Series 2001C-1, Sewer Series 2001C-2, and Sewer Series 2005-B. These swaps provide the counterparty with the option to terminate the swap agreement beginning on 1/01/2010, 7/02/2011, 7/01/2005, 7/01/2005, 7/01/2008, 7/01/2008, 1/01/2010, and 7/01/2013, respectively, upon the passing of certain BMA thresholds. If any of these swaps are terminated, the associated variable-rate financings would no longer carry synthetic interest rates, but there would be no termination payment.

Rollover Risk: The City is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated financings. When these swaps terminate, or in the case of the termination option, if the counterparty exercises its option, the City will not realize the synthetic rate offered by the swaps on the underlying issues.

Swap Termination Payment: During the year ended June 30, 2005, the Sewage Disposal Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund paid a termination payment in the amount of \$11,750,000 that has been reserved to offset future debt service. The payment will be recognized over the life of the debt using the straight-line method.

6. Other Information

Automobile Parking Fund

The City has covenanted in bond authorizing documents to charge for the use of and services provided by the City of Detroit Building Authority Parking Arena System (the System) for each fiscal year of the City such that the gross revenues collected and remitted to the trustee (1) will be at least sufficient to at all times pay when due the principal, interest, and sinking fund installments on the revenue bonds without recourse to the Debt Reserve Account, to pay or provide for all operating expenses, to maintain the System in good repair without recourse to the Operating and Contingency Reserve Fund, and to replenish the Debt Reserve Account (so as to satisfy the corresponding reserve requirement) and the Operating and Maintenance Reimbursement Fund, and (2) will, after replenishment of any deficit in the Debt Reserve Account, Operating and Contingency Reserve Fund, and the Operating and Maintenance Reimbursement Fund, be equal to or greater than 175% of the amount payable in such fiscal year as the principal of sinking fund installments for the interest on all revenue bonds, net of amounts capitalized for interest payable during the construction period.

The City has covenanted further that if the fees and charges collected in any fiscal year are not sufficient to produce such revenues, the City will employ a consulting expert to submit recommendations as to revision of the schedule of fees then in effect and the City will thereafter charge and collect fees in accordance with such recommendation. The schedule of charges for the System may not be revised for a period of two years unless (1) such revision is for purpose of complying with the aforesaid rate covenant or simultaneous with such revision, there is filed with the trustee a certificate of the consulting expert stating the opinion that if such revision had been in effect during the whole of the fiscal year immediately prior thereto, the revenues collected during such fiscal year would not have been diminished, and (2) at the time of any reduction in charges, the amounts in the Debt Reserve Account and Operating and Contingency Reserve Fund equal or exceed the reserve requirements.

The revenue bond documents specify that additional bonds may be issued by the Fund for the purpose of financing additions, replacements, and improvements to the City of Detroit Building Authority Parking Arena System, provided that the trustee shall have received all legally required authorized opinions and certificates and that the estimated gross revenues (as defined in the bond authorizing documents) for the five years following completion of the facilities will be at least (1) 175% of annual debt service on all parity outstanding bonds, or (2) the sum of annual debt service on all parity outstanding bonds (including the Additional Bonds) plus the amount necessary to make all required payments to the various funds maintained by the trustee, whichever is greater. Other than as described above, the Parking Fund may not issue any obligations secured by gross revenues from the System unless any resulting lien on the System's gross revenues is expressly subordinate to liens for the bondholders' or bank's benefit as described above.

Sewage Disposal and Water Funds Construction Programs

The Sewage Disposal Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$2.1 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Sewer Fund and proceeds from the issuance of revenue bonds.

The Sewage Disposal Fund total construction contract commitments outstanding at June 30, 2005 were approximately \$453 million.

The Water Fund is engaged in a variety of projects that are part of its Program. The total cost of this Program is anticipated to be approximately \$1.6 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Water Fund and proceeds from the issuance of revenue bonds.

The Water Fund total construction contract commitments outstanding at June 30, 2005 were approximately \$101 million.

Pension Plans:

The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system is a single-employer plan composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The Systems issued publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, 2 Woodward Avenue, Coleman A. Young Municipal Center, Room 908, and Detroit, Michigan 48226.

These plans are administered in accordance with the City Charter and union contracts, which assign the authority to establish and amend contributions and benefit provisions to each plan's Board of Trustees. The Systems' investment policies are governed in accordance with the State Public Act 314 of 1965, as amended.

The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of each plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. The current rate is up to 27.34% of active annual payroll for the General Retirement System (depending on the bargaining unit) and 27.68% of active annual payroll for the Policemen and Firemen Retirement System. Contributions from City funds and the Detroit Public Library fund, including accounts receivable for the year ended June 30, 2005, amounted to \$776,281,025 and \$693,967,089 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

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Employee contributions for annuity savings are as follows:

- General Retirement System — Employees may elect to contribute 3%, 5% or 7% of the first \$87,900 of annual compensation and 5% or 7% of any excess over \$87,900. Contributions are voluntary for all union and non-union employees.
- Policemen and Firemen Retirement System — Mandatory contributions are 5% of base compensation until eligibility for retirement is reached.

Contributions received from employees during the year ended June 30, 2005 amounted to \$22,648,662 and \$10,430,854 respectively.

The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees in accordance with the City Charter, union contracts, and plan provisions.

Members may retire with full benefits after attaining 30 years of service; age 55 with 30 years of service if hired after January 1, 1996; age 60 with 10 years of service; or age 65 with 8 years of service. Employees may retire after 25 years of service and collect an actuarially reduced retirement benefit. Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service.

Members of the General Retirement System who separated prior to July 1, 1981, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1981 are not required to leave their accumulated annuity contributions in the System. Pension benefits for all members of the GRS are increased annually by 2.25% of the original pension.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Police officers and firefighters hired after January 1, 1969 may retire after 25 years of service with full benefits and a yearly cost-of-living adjustment of 2.25%. For those members of the PFRS who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

Members of the Policemen and Firemen Retirement System who separated prior to July 1, 1982, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1982 and meet the age and service requirements are able to withdraw their accumulated contributions and remain eligible for a benefit.

Employee contributions to both systems for annuity savings may be withdrawn upon separation from the City. At retirement, members have the option to withdraw all or part of their accumulated annuity contributions plus interest in either a lump sum or to receive monthly annuity payments. Employees in both systems may withdraw their annuity balance if they have accumulated 25 years of service. The following details the schedule of employer contributions (in millions):

Year Ended	General Retirement System			Policemen and Firemen Retirement System		
	Annual Pension Costs	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Pension Costs	Percentage Contributed
2003	72.9	100	—	2003	66.8	100
2004	95.9	100	—	2004	69.5	100
2005	106.4	754	\$695.6	2005	98.8	754
						\$595.1

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The annual pension costs and net pension assets as of the City June 30, 2005 are as follows:

	PFRS			GRS			Business-Type Activities			Total Primary Government
	Governmental Activities	Transportation Fund	Water Fund	Governmental Activities	Transportation Fund	Water Fund	Governmental Activities	Transportation Fund	Water Fund	
Annual required contributions (ARC)	\$ 98,842,261	\$ 63,450,814	\$ 15,992,663	\$ 63,450,814	\$ 15,992,663	\$ 17,571,543	\$ 98,842,261	\$ 63,450,814	\$ 17,571,543	\$ 202,217,003
Annual pension cost	98,842,261	63,450,814	15,992,663	63,450,814	15,992,663	17,571,543	98,842,261	63,450,814	17,571,543	202,217,003
Contributions made (employee)	693,867,089	480,048,802	113,998,169	480,048,802	113,998,169	142,100,003	693,867,089	480,048,802	142,100,003	1,470,248,114
Changes in net pension asset	595,124,828	416,597,988	98,005,506	416,597,988	98,005,506	7,850,281	595,124,828	416,597,988	150,452,288	1,268,031,111
Net pension asset, beginning of year	—	—	—	—	—	—	—	—	—	—
Net pension asset, end of year	\$ 595,124,828	\$ 416,597,988	\$ 98,005,506	\$ 416,597,988	\$ 98,005,506	\$ 7,850,281	\$ 595,124,828	\$ 416,597,988	\$ 150,452,288	\$ 1,268,031,111

The annual pension costs and net pension assets of the component units of the City as of June 30, 2005 are as follows:

	Component Unit	
	Detroit Public Library (GRS)	
Annual required contributions	\$ 2,990,354	
Annual pension cost	2,990,354	
Contributions made (employee)	25,643,892	
Changes in net pension asset	22,653,538	
Net pension asset, beginning of year	—	
Net pension asset, end of year	\$ 22,653,538	

	Defined Benefit		Defined Annuity Contributions	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving benefits	11,396	8,465	1,521	1,335
Terminated plan members entitled to but not yet receiving benefits	1,109	25	231	46
Active plan members	9,820	4,652	9,249	4,195

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(Continued)

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Significant actuarial assumptions used in preparing the accompanying Systems' financial statements for the year ended June 30, 2005 (the latest date available) are as follows:

	General Retirement System	Policemen and Firemen Retirement System
Valuation Date (latest date available)	June 30, 2005	June 30, 2005
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent
Remaining Amortization Period	20 years	12 years elapsed
Asset Valuation Method	3-year Smoothed Market	3-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	7.8%
Projected Salary Increases	4.0% - 9.5%	5.8% - 10.8%
Includes Inflation at	4.0%	4.8%
Cost-of-Living Adjustments	2.25%	2.25%

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the plans, or the actuarial methods and assumptions used.

Investment loss presented in the Statements of Net Assets in Fiduciary Funds for the Retirement Systems consist of interest income, dividend income, net depreciation, and investment expenses. GRS and PFRS were unable to break down each component by reserve fund as required in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; however, the Systems were able to present components in total.

	GRS	PFRS
Investment Gain, Net:		
Dividend Income	\$ 18,472,422	\$ 33,856,957
Interest Income	110,870,114	97,801,386
Net Appreciation	160,852,269	140,792,494
Investment Expense	(13,780,153)	(12,581,933)
Total	\$ 276,414,652	\$ 259,868,904

Other Post-employment Benefits: In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, eye care, and life insurance. The number of City retirees at June 30, 2005 is 22,451. Costs are accounted for in accordance with GASB Statement No. 12, *Disclosures of Information on Post-retirement Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 2005, are as follows:

	Benefit	City Cost	Retiree Cost	Total Cost
Hospitalization		\$ 137,864,782	\$ 13,960,235	\$ 151,825,017
Dental		5,547,455	—	5,547,455
Eye Care		2,134,951	—	2,134,951
Life Insurance		167,444	—	167,444
Total		\$ 145,714,632	\$ 13,960,235	\$ 159,674,867

Component Units

The GDRRA is authorized to charge user fees for services provided to residents in the event either the tipping fees or supplemental tipping fees paid by the City and other revenues generated are not sufficient in each operating year to produce revenues equal to at least 100% of the maximum annual debt service requirement, lease obligations, and operating costs.

(Continued)

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City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Supplemental tipping fees are provided from certain taxes collected by the State of Michigan which are payable to the City (Distributable Aid). The City's obligation to pay tipping fees and supplemental tipping fees is a full faith and credit limited tax general and unconditional obligation whether or not the facility is operating. For the year ended June 30, 2005, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	\$ 65,693,555
Supplemental Tipping Fees	16,530,000
Total	\$ 82,223,555

NOTE IV. SUBSEQUENT EVENTS

On July 7, 2005, the Mayor signed a Cooperative Endeavor Agreement with the United States Department of Housing and Urban Development (HUD) for the benefit of the Detroit Housing Commission (DHC). The agreement calls for the City to transfer all of DHC's assets, projects, and programs to HUD and for HUD to manage the day-to-day operations and reporting requirements of the DHC. The agreement dissolves the DHC's Board of Commissioners. The agreement has an initial term of two years, and is renewable in one-year increments thereafter. The Detroit Housing Commission will not be presented in the City's CAFR for the fiscal year ending June 30, 2006.

On September 22, 2005 the Water Supply System issued \$25,975,000 SRF Junior Lien Revenue Bonds. The bonds begin to mature October 1, 2007 and will be fully matured in the year 2026.

In November 2005, Standard & Poor's revised the City's Unlimited Tax General Obligation Bond rating from BBB+ to BBB, the City's Limited Tax General Obligation Bond rating from BBB to BBB- and revised the outlook from stable to negative.

In November 2005, Moody's Investors Service revised the City's Unlimited Tax General Obligation Bonds rating from Baa1 to Baa2, the City's Limited Tax General Obligation Bond rating from Baa2 to Baa3 and revised the outlook from negative to stable.

In November 2005, a general election referendum was passed which transfers control of the School District of City of Detroit to a newly elected eleven (11) member School Board, effective January 1, 2006. The 11 Board members will consist of 7 members, one from each district, who will serve 2-year terms, and 4 at-large members representing the entire city who will serve 4-year terms. Thus the District will not be presented in the City's CAFR for June 30, 2006.

In December 2005, Fitch Ratings revised the City's Unlimited Tax General Obligation Bond rating from BBB+ to BBB, the City's Limited Tax General Obligation Bond rating from BBB+ to BBB and revised the outlook from stable to negative.

In December 2005, the City issued \$82,565,000 Unlimited Tax General Obligation Bonds and Unlimited Tax General Obligation Refunding Bonds. Proceeds of \$29.9 million were used to refund previously issued debt, resulting in present value savings of \$913,916 or 3.0% of the refunded par amount. The bonds mature beginning April 1, 2006 and will be fully matured in the year 2025.

On March 1, 2006 the City entered into an agreement with the Detroit Zoological Society, a Michigan nonprofit corporation, to manage the operations of the Detroit Zoological Institute through June 30, 2020, a period of fifteen (15) years, with an option to renew of ten (10) years. The City retains ownership of all assets of the Detroit Zoological Institute, which includes the Detroit Zoological Park and the Belle Isle Nature Zoo. The agreement between the City and Zoological Society provides for the payment of capital funds in the amount of Five million dollars (\$5,000,000) in fiscal year 2006 and an additional Five million dollars (\$5,000,000) in fiscal year 2007. Upon transfer of the \$5,000,000 payment in fiscal year 2006, the Zoological Society will transfer ownership of the new Ford Education Center to the City. The City also agreed to pay an operating subsidy for certain operating costs, insurance and security, totaling \$900,000 per year for the first 2-years of the agreement, fiscal year 2006 and fiscal year 2007.

On March 22, 2006, the City entered into an agreement with the Detroit Historical Society, a Michigan nonprofit corporation, to manage the operations of the Detroit Historical Museums through June 30, 2015, a period of ten (10) years, with an option to renew of ten years. The City retains ownership of all the assets of the Detroit Historical Museums, which includes the

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Detroit Historical Museum, the Dossin Great Lakes Museum and Historic Fort Wayne (including the Collections Resource Center). The City will retain the management of the operations of Historic Fort Wayne. The agreement between the City and Society provides for an annual operating subsidy of five hundred thousand dollars (\$500,000) for the first three fiscal years of the agreement, fiscal years 2006, 2007 and 2008. For fiscal year 2006, the City agreed to pay all outstanding contractual obligations for operating services at the time of the transfer. The City also grants the Historical Society access to capital funds through the City's annual capital budget process. Currently, the City has authorization from the electorate to sell up to \$20.02 million in general obligation bonds for capital improvements to the Detroit Historical Museum facilities.

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**REQUIRED
 SUPPLEMENTARY
 INFORMATION
 OTHER THAN
 MANAGEMENT'S
 DISCUSSION &
 ANALYSIS
 (MD&A)**

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REQUIRED

SUPPLEMENTARY

INFORMATION-

GENERAL FUND

STATEMENT OF REVENUES
AND EXPENDITURES

-BUDGET TO ACTUAL

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City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance Actual Over (Under) Budget
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes.....	\$ 215,696,948	\$ 215,696,948	\$ 178,957,463	\$ (36,739,485)
Municipal Income Tax.....	319,008,000	319,008,000	282,501,875	(36,506,125)
Utility Users' Tax.....	55,000,000	55,000,000	52,939,839	(2,060,161)
Wagering Taxes.....	117,600,000	117,600,000	137,970,347	20,370,347
Other Taxes and Assessments.....	11,569,766	11,569,766	10,962,886	(606,880)
Interest and Penalties on Taxes.....	9,800,000	9,800,000	11,491,470	1,691,470
Total Taxes, Assessments, Interest and Penalties.....	728,674,714	728,674,714	674,923,880	(53,850,834)
Licenses, Permits and Inspection Charges:				
Business Licenses.....	1,595,585	1,839,155	1,892,283	53,128
Permits.....	1,255,832	1,255,832	1,697,773	441,941
Inspection Charges.....	9,866,419	9,866,419	7,442,358	(2,424,061)
Other Licenses.....	96,157	96,157	28,641	(67,516)
Total Licenses, Permits and Inspection Charges.....	12,813,993	13,057,563	11,061,055	(1,996,508)
Shared Taxes:				
Liquor and Beer License.....	545,000	545,000	602,582	57,582
State Shared Tax.....	286,938,418	286,938,418	282,914,217	(4,024,201)
Total Shared Taxes.....	287,483,418	287,483,418	283,516,799	(3,966,619)
Intergovernmental:				
Federal.....	5,402,963	5,029,661	26,521,887	21,493,226
State.....	54,495,391	12,735,431	23,511,241	10,775,810
State Equity Grant.....	1,170,400	1,170,400	1,076,931	(93,469)
Other Grants.....	3,739,549	179,117,798	16,346,773	(162,771,025)
Total Grants.....	64,808,303	198,053,290	67,457,832	(130,595,458)
Sales and Charges for Services:				
Maintenance and Construction.....	1,234,846	1,234,846	1,509,134	274,288
Other Labor and Materials.....	300,000	300,000	347,868	47,868
Electrical.....	47,840,000	47,840,000	40,506,888	(7,333,112)
Steam.....	955,000	955,000	851,310	(103,690)
Sanitation Charges.....	823,897	823,897	662,841	(161,056)
Recreation Fees.....	7,020,797	7,020,797	5,175,375	(1,845,422)
Collection Fees.....	7,284,190	7,284,190	7,076,021	(208,169)
Other Fees.....	39,440,796	42,990,796	40,107,905	(2,882,831)
Personal Services.....	61,801,228	62,138,133	57,161,903	(4,976,230)
Sales of Non-Capital Assets.....	-	-	-	-
Other Departmental Sales.....	30,047,894	37,317,941	24,109,898	(13,208,043)
Total Sales and Charges for Services.....	196,748,648	207,935,600	178,109,203	(29,826,397)
Ordinance Fines.....	29,504,878	27,219,663	23,273,726	(3,945,937)
Revenue from Use of Assets:				
Earnings on Investments.....	3,087,000	2,801,531	2,380,653	(420,878)
Real Estate Rentals.....	9,160,886	9,160,886	7,414,207	(1,746,679)
Concessions.....	5,054,456	5,054,456	2,837,924	(2,216,532)
Sale of Real Property.....	33,410,000	33,410,000	6,013,792	(27,396,208)
Total Revenue from Use of Assets.....	50,712,342	50,426,873	18,446,576	(31,780,297)
Other Revenue.....	40,813,259	60,388,979	100,134,090	39,745,111
Total Revenues.....	1,411,559,555	1,573,240,100	1,357,023,161	(216,216,939)

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City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Actual
	Original	Final	Amounts	Over (Under)
EXPENDITURES:				
Public Protection:				
Consumer Affairs.....	1,314,854	1,556,813	1,210,811	(346,002)
Fire.....	207,441,391	209,926,211	202,172,068	(7,754,143)
Human Rights.....	2,359,312	2,352,587	2,081,368	(271,219)
Ombudsperson.....	1,457,978	1,452,093	1,457,015	4,922
Parking Enforcement.....	9,793,095	9,790,247	9,074,181	(626,066)
Police.....	475,234,439	507,793,222	454,600,253	(53,192,969)
Detroit Office of Homeland Security.....	620,254	8,664,317	677,940	(7,986,377)
36th District Court.....	49,470,064	49,511,895	45,454,181	(4,057,712)
Total Public Protection.....	747,691,387	790,957,383	716,727,817	(74,229,566)
Department of Health.....	97,473,647	100,732,152	87,862,830	(12,869,322)
Recreation and Culture:				
Culture, Arts and Tourism.....	1,681,885	2,398,072	1,152,913	(1,245,159)
Historical.....	3,579,640	3,566,321	2,595,693	(570,628)
Recreation.....	50,042,927	47,416,336	49,924,914	2,508,578
Senior Citizens.....	1,294,920	2,138,068	932,042	(1,206,026)
Zoological Institute.....	14,029,400	14,357,011	12,492,833	(1,864,178)
Total Recreation and Culture.....	70,628,772	69,875,808	67,938,395	(2,377,413)
Economic Development — Civic Center.....	26,863,409	25,310,350	23,541,123	(1,769,227)
Housing Supply and Conditions:				
Planning and Development.....	11,433,365	23,773,549	12,486,977	(11,286,572)
Total Housing Supply and Conditions.....	11,433,365	23,773,549	12,486,977	(11,286,572)
Physical Environment:				
Environmental Affairs.....	2,594,658	4,503,223	2,319,583	(2,183,640)
Public Lighting.....	65,907,104	65,462,349	69,060,774	3,598,425
Public Works.....	183,411,745	183,717,019	185,239,556	1,522,537
Total Physical Environment.....	251,913,507	253,682,591	256,619,913	2,937,322
Development and Management:				
Auditor General.....	3,299,800	3,298,236	2,669,338	(628,898)
Budget.....	3,426,505	3,423,757	3,084,852	(338,905)
City Clerk.....	4,417,596	4,373,775	3,770,777	(602,998)
City Council.....	18,019,661	18,083,380	14,780,744	(3,302,636)
Communications & Creative Services.....	2,906,588	2,899,883	2,467,503	(432,380)
Elections.....	10,773,348	10,704,128	10,551,156	(152,972)
Finance.....	48,900,999	49,876,483	40,501,832	(9,374,651)
Law.....	27,121,937	28,396,285	26,884,967	(1,511,318)
Mayor's Office.....	11,356,692	11,595,397	9,653,665	(1,941,732)
Human Resources.....	32,330,117	32,291,316	25,904,262	(6,387,054)
Information Technology Services.....	31,361,734	31,385,622	24,294,443	(7,091,179)
Board of Zoning Appeals.....	973,677	971,884	844,025	(127,859)
Detroit Workforce Development Department.....	2,000	695,311	1,124	(604,187)
Dept. of Administrative Hearings.....	2,205,667	2,266,167	898,772	(1,367,395)
Non Departmental.....	14,164,289	171,392,092	31,501,316	(139,890,776)
Total Development and Management.....	211,320,610	371,563,716	197,808,776	(173,754,940)
Capital Outlay.....	69,456,133	97,531,721	124,712,800	27,181,079

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Actual
	Original	Final	Amounts	Over (Under)
Debt Service:				
Bond Insurance Costs.....	24,000	24,000	5,192,701	5,168,701
Total Debt Service.....	24,000	24,000	5,192,701	5,168,701
Total Expenditures.....	1,486,784,830	1,733,451,270	1,492,451,332	(240,999,938)
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(75,225,275)	(160,211,170)	(135,438,171)	24,782,999
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers from Other Funds:				
Transfers In.....	119,091,664	121,743,983	33,051,546	(88,692,437)
Proceeds of Capital Leases.....	315,351	315,351	315,351	-
Premium on Capital Related Debt.....	5,974,832	5,974,832	5,974,832	-
Sale of General Obligation Bonds.....	141,215,335	223,167,013	242,150,000	18,982,987
Total Other Financing Sources.....	266,597,182	351,201,179	281,491,729	(69,709,450)
Uses:				
Transfers to Other Funds:				
Transfers Out.....	182,677,300	182,377,868	136,651,053	(45,726,815)
Principal Paid to Bond Agent for Refunded Bonds.....	57,357,145	57,357,145	92,640,000	35,282,855
Interest Paid On Refunded Bonds.....	4,213,645	4,131,379	4,213,645	-
Total Other Financing Uses.....	244,288,090	243,866,392	233,504,698	(10,361,494)
Net Change in Fund Balance.....	22,348,892	107,334,787	47,986,831	(99,347,950)
Total Other Financing Sources and Uses.....	(52,876,383)	(52,876,383)	(87,441,340)	(34,564,957)
Fund Balance at Beginning of Year.....	52,876,383	52,876,383	69,216,269	16,339,886
Increase (Decrease) in Inventories.....	-	-	(15,369,363)	(15,369,363)
Fund Balance at End of Year.....	\$ -	\$ -	\$ (33,594,434)	\$ (33,594,434)

See accompanying independent auditors' report.

REQUIRED

SUPPLEMENTARY

INFORMATION-

HISTORIC PENSION DATA

REQUIRED SUPPLEMENTAL INFORMATION HISTORIC PENSION DATA - UNAUDITED

Schedule of Employer Contributions (In millions):

General Retirement System				Policemen and Firemen Retirement System			
Year Ended June 30	Annual Required Contributions	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Required Contributions	Percentage Contributed	Net Pension Asset
2001	\$68.1	100%		2001	14.4	100%	
2002	67.8	100		2002	8.4	100	
2003	72.9	100		2003	66.8	100	
2004	95.9	100		2004	69.5	100	
2005	106.4	754	\$695.6	2005	98.8	702	\$595.1

Schedule of Funding Progress (In millions):

General Retirement System:

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Payroll
2001 (a) (b)	\$2,912.1	\$3,179.6	91.6%	\$267.5	\$439.6	60.8%
2002	2,761.2	3,276.6	84.3	515.4	440.7	117.0
2003	2,537.7	3,270.6	77.6	733.0	448.6	163.4
2004	2,470.2	3,383.9	73.0	913.7	444.6	205.5
2005	3,222.4	3,347.4	96.3	125.0	390.6	32.0

Policemen and Firemen Retirement System:

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Payroll
2001 (a) (b)	\$3,900.0	\$3,463.2	112.6%	\$(436.8)	\$253.3	-
2002 (a)	3,635.1	3,523.4	103.2	(111.7)	248.7	-
2003	3,205.5	3,721.6	86.1	516.1	248.7	207.5
2004	3,074.5	3,857.5	79.7	783.0	258.7	302.7
2005	3,757.9	3,780.4	99.0	22.6	250.5	9.0

- a) After changes in actuarial assumptions.
b) Plan amended.

See accompanying independent auditors' report.

COMBINING FINANCIAL INFORMATION - NON-MAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

ARE ESTABLISHED TO ACCOUNT FOR THE PROCEEDS OF SPECIFIC REVENUE SOURCES
(OTHER THAN CERTAIN MAJOR CAPITAL FACILITIES) THAT ARE RESTRICTED BY LAW
AND ADMINISTRATIVE ACTION TO EXPENDITURES FOR SPECIFIED PURPOSES

Community Development Block Grant Funds	To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974.
Construction Code Fund	In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use and occupancy, and hearing appeals in accordance with this act.
Detroit Building Authority Fund	To account for financing activities associated with acquiring, improving, operating and maintaining buildings and other structures for public purposes.
Drug Law Enforcement Fund	To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement.
Empowerment Zone Fund	To account for activities financed by Federal Government Grants under provision of Section 2007 of Title XX of the Social Security Act as amended.
Detroit Workforce Development Department	To account for employment and training program grants received from government sources.
Human Services Fund	To account for Federal and State Grant revenues that are used to finance certain social service programs.
General Retirement Systems Service Corporation	To account for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.
Police and Fire Retirement Systems Service Corporation	To account for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.
Major and Local Street Funds	To account for Michigan State Gas and Weight Tax revenues and other related grants used for the construction and maintenance of major and local streets.
Supportive Housing Programs and Homeless Initiatives Funds	To account for financing activities of Supportive Housing Programs for the Homeless received from the Federal Government.
Targeted Business Development Fund	To account for revenues received via the casino development agreements entered into to foster the presence of minority businesses in the City.

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CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS ARE ESTABLISHED TO ACCOUNT FOR FINANCIAL RESOURCES TO BE USED FOR THE ACQUISITION OR CONSTRUCTION OF MAJOR CAPITAL FACILITIES (OTHER THAN THOSE FINANCED BY SPECIAL REVENUE FUNDS AND PROPRIETARY FUNDS)

Capital Projects Fund To account for all funds used for the construction, acquisition and renovation of Capital facilities by the General Fund.

Urban Renewal Fund To account for funding received from the City of Detroit and the Federal Government earmarked for the acquisition and site preparation of property for future development.

DEBT SERVICE FUND

DEBT SERVICE FUND IS ESTABLISHED TO ACCOUNT FOR THE ACCUMULATION OF RESOURCES FOR THE PAYMENT OF DEBT AND PRINCIPAL AND INTEREST OF CERTAIN PROPRIETARY FUNDS' GENERAL OBLIGATIONS

PERMANENT FUNDS

ACCOUNT FOR PRINCIPAL TRUST AMOUNTS RECEIVED AND RELATED INTEREST INCOME. THE INTEREST PORTION OF THE TRUST IS USED TO MAINTAIN THE COMMUNITY CEMETERY.

PERPETUAL CARE - BEQUEST FUND
 TO ACCOUNT FOR INCOME AND DISBURSEMENTS OF BEQUESTS ACCEPTED BY THE CITY.

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City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005

ASSETS	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds	Request Fund	Total
Current Assets						
Cash	\$ 20,697,161	\$ 7,688	\$ 2,221,942	\$ 47,344	\$	\$ 22,884,135
Investments	88,647,226	1,200,865	136,063,006	1,097,814		227,008,911
Accounts and Contracts Receivable:						
Due from Other Funds	4,451,893	-	1,977,302	-	-	6,429,195
Due from Other Governmental Agencies	29,968,385	-	567,116	-	-	30,535,501
General Taxes Receivable on Real and Personal Property (Net)	-	20,478,737	-	-	-	20,478,737
Other Receivables	881,466	-	354,558	-	-	1,236,024
Total Accounts and Contracts Receivable	35,301,744	20,478,737	2,698,976	-	-	58,479,457
Allowance for Doubtful Accounts	(17,573,321)	(1,000,000)	(2,710,976)	-	-	(21,284,297)
Total Allowance for Doubtful Accounts	(17,573,321)	(1,000,000)	(2,710,976)	-	-	(21,284,297)
Net Accounts and Contracts Receivable	17,728,423	19,478,737	987,980	-	-	38,195,140
Taxes, Interest and Penalties Receivable	35,073,212	2,085,600	-	-	-	37,158,812
Current Special Assessments Receivable	-	-	347,225	-	-	347,225
Prepaid Expenses	127,636	-	-	-	-	127,636
Inventory-Perfected Property	250,875	-	-	-	-	250,875
Other Inventory	677,208	-	-	-	-	677,208
Total Inventory	1,001,831	-	-	-	-	1,001,831
Restricted Assets:						
Cash	145,383,318	7,217,290	141,343,149	1,145,158	-	294,089,915
Total Restricted Assets	145,383,318	7,217,290	141,343,149	1,145,158	-	294,089,915
Total Assets	\$ 1,001,831	\$ 31,203,497	\$ 30,234,856	\$ 108,465	\$	\$ 63,548,649
Liabilities:						
Accounts and Contracts Payable	\$ 17,001,472	\$ -	\$ 26,352,524	\$ -	\$	\$ 43,353,996
Due to Other Funds	9,902,480	2,338,825	4,183,436	-	-	16,424,741
Advances from Other Funds	145,674	-	850,000	-	-	995,674
Due to Other Governmental Agencies	5,196,450	704,821	-	-	-	5,901,271
Deposits from Vendors and Customers	2,847,640	-	-	-	-	2,847,640
Accrued Salaries and Wages Payable	1,937,814	-	-	-	-	1,937,814
Accrued Liabilities	13,564,749	-	-	-	-	13,564,749
Other Liabilities	1,547,110	-	124,113	-	-	1,671,223
Deferred Revenue	2,398,483	7,335,737	255,650	-	-	9,989,870
Total Liabilities	\$ 54,541,872	\$ 10,359,383	\$ 31,765,123	\$ -	\$	\$ 96,666,378
Fund Balances:						
Reserved for Inventory	928,083	-	-	-	-	928,083
Reserved for Encumbrances	14,018,549	-	-	-	-	14,018,549
Reserved for Debt Service	-	-	-	-	-	-
Reserved for Capital Projects	-	29,061,404	-	-	-	29,061,404
Undesignated	76,896,645	-	139,812,882	-	-	216,709,527
Total Fund Balances	\$ 91,843,277	\$ 29,061,404	\$ 139,812,882	\$ 1,253,623	\$	\$ 261,971,186
Total Liabilities and Fund Balances	\$ 146,385,149	\$ 39,420,787	\$ 171,578,005	\$ 1,253,623	\$	\$ 358,637,564

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

REVENUES:	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds	Request Fund	Total
Taxes:						
Property Taxes	\$ -	\$ 59,813,679	\$ -	\$ -	\$	\$ 59,813,679
Other Taxes and Assessments	-	2,602,232	-	-	-	2,602,232
Sale of Real Estate and Liquor Tax	-	16,310,767	-	-	-	16,310,767
Licenses, Permits and Inspection Charges	23,945,463	-	-	-	-	23,945,463
Intergovernmental:						
Federal	235,212,352	-	24,637,235	-	-	259,849,587
State	13,356,134	-	-	-	-	13,356,134
Gas and Weight Tax	63,476,435	-	-	-	-	63,476,435
Sales and Charges for Services	5,185,600	-	-	-	-	5,185,600
Grants	4,287,916	-	-	-	-	4,287,916
Revenue from Use of Assets	-	516,124	-	-	-	516,124
Earnings on Investments	1,028,610	1,276,054	9,673,567	-	-	11,988,221
Other Revenue	3,337,774	2,065,164	26,130,864	20,803	-	31,553,802
Total Revenues	\$ 339,750,304	\$ 21,846,030	\$ 60,431,666	\$ 20,803	\$	\$ 422,048,803
EXPENDITURES:						
Current:						
Public Protection	38,159,175	-	-	-	-	38,159,175
Health	81,781,875	-	-	-	-	81,781,875
Economic Development	68,937,989	4,165,500	-	-	-	73,103,489
Educational Development	73,837,899	-	-	-	-	73,837,899
Housing and Community Development	5,555,525	-	-	-	-	5,555,525
Transportation	46,277,294	-	-	-	-	46,277,294
Debt Service:						
Principal	-	73,544,336	-	-	-	73,544,336
Interest	-	51,462,415	-	-	-	51,462,415
Bond Insurance Costs	-	-	2,299,818	-	-	2,299,818
Capital Outlay	-	-	157,832,908	-	-	157,832,908
Total Expenditures	314,785,457	125,006,751	160,132,726	-	-	600,924,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,964,847	(103,160,721)	(99,701,060)	20,803	-	(177,896,133)
Sources:						
Transfers In:						
General Fund	8,234,889	38,830,859	-	-	-	47,065,748
Capital Projects Fund	-	-	37,469,125	-	-	37,469,125
Special Revenue Fund	19,648,260	3,821,110	-	-	-	23,469,370
Debt Service Fund	27,903,149	42,651,909	37,469,125	-	-	108,024,283
Total Transfers In	45,786,298	82,343,878	74,938,250	-	-	203,068,426
Proceeds of Federal Note	7,789,000	-	-	-	-	7,789,000
Proceeds from Capital Related Debt Insurance	-	-	111,680,000	-	-	111,680,000
Premium on General Obligation Bonds Issued	-	-	7,039,843	-	-	7,039,843
Total Other Financing Sources	35,692,149	42,651,909	156,188,968	-	-	234,533,026
Uses:						
Transfers Out:						
General Fund	33,051,547	-	-	-	-	33,051,547
Capital Projects Fund	-	37,469,125	-	-	-	37,469,125
Debt Service Fund	3,821,110	-	-	-	-	3,821,110
Special Revenue Fund	19,648,260	-	-	-	-	19,648,260
Total Transfers Out	56,520,917	37,469,125	-	-	-	93,990,042
Principal Paid to Bond Agent for Refunded Bonds	-	-	-	-	-	-
Interest Paid to Bond Agent for Refunded Bonds	-	-	-	-	-	-
Total Other Financing Uses	56,520,917	-	-	-	-	56,520,917
Total Other Financing Sources (Uses)	(20,828,768)	42,651,909	156,188,968	-	-	117,915,109
Net Change in Fund Balances	4,116,079	(60,508,812)	(23,762,892)	20,803	-	(79,074,722)
Fund Balances at Beginning of Year	87,812,776	70,466,781	159,136,549	1,232,820	-	318,648,926
Decrease in Inventories	(85,578)	-	-	-	-	(85,578)
Fund Balances at End of Year	\$ 91,843,277	\$ 9,957,969	\$ 135,373,657	\$ 1,253,623	\$	\$ 261,971,186

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2005

ASSETS	Community Development Block Grant Funds	Construction Code Fund	Detroit Building Authority Fund	Drug Law Enforcement Fund	DETROIT				Human Services Fund	Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
					Empowerment Zone Fund	Workforce Development Department	Development Department	Development Department					
Current Assets:													
Cash.....	\$ 1,388,485	\$ 3,002,415	\$ 2,146,303	\$ 355,187	\$ 1,157,520	\$ 5,472,405	\$ 5,613,144	\$ 39,000,000	\$ 1,371,702	\$ 99,900	\$ -	\$ -	\$ 20,807,161
Investments.....	-	-	-	17,147,226	-	-	-	-	-	-	-	-	88,647,226
Accounts and Contracts Receivable.....	2,087,629	348,399	179,985	-	61,189	206,080	1,674,934	93,867	11,936,751	465,715	-	-	4,651,893
Due from Other Funds.....	7,522,442	58,077	-	-	4,802,196	5,183,204	-	-	68,442	-	-	-	29,968,385
Other Receivables.....	401,667	419,357	-	-	-	-	-	-	-	-	-	-	881,466
Total Accounts and Contracts Receivable.....	10,011,738	825,643	179,985	-	4,863,385	5,389,284	1,674,934	12,091,060	12,045,336	465,715	-	-	35,501,744
Allowance for Uncollectible Accounts.....	(37,609)	(245,200)	179,985	-	-	-	-	-	(45,724)	-	-	-	(48,532)
Total Accounts and Contracts Receivable - Net.....	9,974,130	480,443	179,985	-	4,863,385	5,389,284	1,674,934	12,045,336	12,045,336	465,715	-	-	35,073,212
Prepaid Expenses.....	-	-	-	-	-	-	-	-	-	-	-	-	127,636
Inventory.....	-	-	-	250,875	-	-	-	-	-	-	-	-	250,875
Other Current Assets.....	-	48,609	-	-	-	-	-	-	629,199	-	-	-	677,208
Total Current Assets.....	11,362,615	3,530,667	2,326,388	17,753,288	6,020,905	10,989,325	7,286,078	53,046,237	53,046,237	565,615	-	-	145,383,318
Restricted Assets.....	1,001,831	-	-	-	-	-	-	-	-	-	-	-	1,001,831
Cash.....	12,364,446	3,530,667	2,326,388	17,753,288	6,020,905	10,989,325	7,286,078	53,046,237	53,046,237	565,615	-	-	146,385,149
LIABILITIES, AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable.....	2,056,612	34,212	341,170	496,565	68,998	7,765,575	2,890,772	3,101,578	156,000	-	-	-	17,001,472
Due to Other Funds.....	4,757,890	1,233,488	912,027	31,670	953,077	183,213	628,102	499,743	23,710	-	-	-	5,936,460
Advances from Other Funds.....	-	-	-	-	-	145,674	-	-	-	-	-	-	145,674
Due to Other Governmental Agencies.....	-	-	-	-	-	1,363,974	427,962	3,404,514	-	-	-	-	5,196,450
Deposits from Vendors and Customers.....	-	4,487	-	2,843,153	-	-	-	-	-	-	-	-	2,847,640
Accrued Salaries and Wages Payable.....	571,927	622,145	-	21,199	29,397	412,607	280,539	-	-	-	-	-	1,937,814
Accrued Liabilities.....	3,654,544	1,378,968	-	300,246	4,968,933	435,282	577,220	-	-	-	-	-	13,564,749
Other Liabilities.....	1,324,273	-	222,837	-	-	-	-	1,865,741	-	-	-	-	1,547,110
Deferred Revenue.....	-	-	-	-	-	-	2,398,483	-	-	-	-	-	2,398,483
Total Liabilities.....	12,364,446	3,273,660	1,476,034	3,692,833	6,020,905	10,989,325	7,286,078	8,071,576	565,615	-	-	-	54,541,872
Fund Balances:													
Reserved for Inventory.....	-	48,009	-	250,875	-	-	-	629,199	-	-	-	-	928,083
Reserved for Encumbrances.....	-	208,969	-	13,809,580	-	-	-	-	-	-	-	-	14,018,549
Undesignated.....	-	929	850,354	-	-	-	-	43,545,462	-	-	-	-	76,896,645
Total Fund Balances.....	-	257,907	850,354	14,060,455	-	-	-	44,174,661	-	-	-	-	91,843,277
Total Liabilities and Fund Balances.....	\$ 12,364,446	\$ 3,530,667	\$ 2,326,388	\$ 17,753,288	\$ 6,020,905	\$ 10,989,325	\$ 7,286,078	\$ 53,046,237	\$ 565,615	\$ -	\$ -	\$ -	\$ 146,385,149

See accompanying independent auditors' report.

City of Detroit, Michigan
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2005

	Community Development Block Grant Fund	Construction Code Fund	Detroit Building Authority	Drug Law Enforcement Fund	Empowerment Zone Fund	Detroit Workforce Development Department	Human Services Fund	Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
REVENUES:											
Licenses, Permits and Inspection Charges.....	\$ -	\$ 23,945,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,945,463
Intergovernmental:											
Federal.....	59,785,281	-	-	-	11,464,565	73,837,899	74,328,682	10,470,628	5,795,925	-	225,212,352
State.....	-	-	-	-	-	-	2,885,506	63,476,425	-	-	13,356,134
Gas and Weight Tax.....	-	-	-	-	-	-	-	-	-	-	63,476,425
Sales and Charges for Services.....	5,112,710	72,920	-	-	-	-	-	-	-	-	5,185,630
Ordinance Fines and Forfeitures.....	-	594,880	-	-	-	-	-	-	-	-	4,207,916
Earnings on Investments.....	-	-	-	-	-	-	-	722,827	-	-	1,026,610
Other Revenue.....	-	-	2,189,455	-	-	-	300,000	624,066	-	-	3,537,774
Total Revenue.....	64,897,991	24,523,263	2,189,455	4,233,392	11,464,565	73,837,899	77,514,188	75,253,626	5,795,925	-	339,750,304
EXPENDITURES:											
Current:											
Public Protection.....	-	35,413,572	-	2,745,603	-	-	-	-	-	-	38,159,175
Health.....	-	-	-	-	-	-	81,791,875	-	-	-	81,791,875
Economic Development.....	55,495,894	-	1,977,530	-	11,464,565	73,837,899	-	-	-	-	142,776,888
Educational Development.....	-	-	-	-	-	-	-	-	-	-	72,175,797
Housing and Conditions.....	-	-	-	-	-	-	-	-	5,795,925	-	5,795,925
Transportation Facilitation.....	-	-	-	-	-	-	-	46,272,594	-	-	46,272,594
Total Expenditures.....	55,495,894	35,413,572	1,977,530	2,745,603	11,464,565	73,837,899	81,791,875	46,272,594	5,795,925	-	314,796,457
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	9,402,097	(10,890,309)	211,925	1,487,789	-	-	(4,267,687)	29,021,032	-	-	24,964,847
Other Financing Sources:											
Proceeds of Federal Note.....	7,789,000	-	-	-	-	-	-	-	-	-	7,789,000
Transfers In:											
General Fund.....	-	461,106	1,006,096	-	-	-	4,267,687	-	-	2,500,000	8,234,889
Community Development Block Grant Fund.....	-	10,668,260	-	-	-	-	-	9,000,000	-	-	10,668,260
Major Street Fund.....	-	-	-	-	-	-	-	-	-	-	9,000,000
Total Transfers In.....	-	11,129,366	1,006,096	-	-	-	4,267,687	9,000,000	-	2,500,000	27,903,149
Total Other Financing Sources.....	7,789,000	11,129,366	1,006,096	-	-	-	4,267,687	9,000,000	-	2,500,000	35,692,149
Transfers Out:											
Construction Code Fund.....	10,668,260	-	-	-	-	-	-	-	-	-	10,668,260
General Fund.....	2,701,727	-	-	-	-	-	-	30,349,820	-	-	33,051,547
General Dist Service Fund.....	-	-	-	-	-	-	-	-	-	-	3,821,110
Local Street Fund.....	-	-	-	-	-	-	-	9,000,000	-	-	9,000,000
Total Transfers Out.....	13,369,987	-	-	-	-	-	-	39,349,820	-	-	52,540,917
Total Other Financing Sources (Uses).....	(5,580,987)	11,129,366	1,006,096	-	-	-	4,267,687	(30,349,820)	-	2,500,000	(20,846,788)
Net Change in Fund Balances.....	11,317,004	239,057	1,218,021	1,487,789	-	-	-	(1,328,788)	-	-	11,693,083
Fund Balances (Deficits) at Beginning of Year.....	-	-	(657,757)	12,894,359	-	-	-	45,286,184	-	30,000,000	87,812,776
Less: Decreases in Inventory.....	-	18,850	-	(321,693)	-	-	-	217,265	-	-	(85,578)
Fund Balances at End of Year.....	\$ -	\$ 257,907	\$ 560,264	\$ 14,660,455	\$ -	\$ -	\$ -	\$ 44,174,661	\$ -	\$ 32,500,000	\$ 91,843,277

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2005

ASSETS			
	Capital Projects	Urban Renewal	Total
Cash	\$ 1,111,215	\$ 1,110,727	\$ 2,221,942
Investments	120,122,776	15,940,230	136,063,006
Accounts and Contracts Receivable:			
Due from Other Funds	1,973,651	3,651	1,977,302
Due from Other Governmental Agencies	567,116	-	567,116
Other Receivables - Trade	354,558	-	354,558
Total Accounts and Contracts Receivable	2,895,325	3,651	2,898,976
Allowance for Uncollectible Accounts	(188,000)	-	(188,000)
Total Accounts and Contracts Receivable - Net	2,707,325	3,651	2,710,976
Current Special Assessments Receivable	347,225	-	347,225
Refunded Cash and Cash Equivalents	30,234,856	-	30,234,856
Total Assets	\$ 154,523,397	\$ 17,054,608	\$ 171,578,005

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts and Contracts Payable	\$ 25,845,179	\$ 597,345	\$ 26,332,524
Due to Other Funds	3,261,705	921,731	4,183,436
Advance from General Fund	850,000	-	850,000
Other Liabilities	34,376	89,737	124,113
Deferred Revenue	243,335	11,715	255,050
Total Liabilities	30,234,595	1,510,528	31,745,123
Fund Balances:			
Undesignated Fund Balance	124,288,892	15,524,080	139,812,882
Total Fund Balances	124,288,892	15,524,080	139,812,882
Total Liabilities and Fund Balances	\$ 154,523,397	\$ 17,054,608	\$ 171,578,005

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2005

	Capital Projects	Urban Renewal	Total
Revenues:			
Grants	\$ 967,891	\$ 23,669,344	\$ 24,637,235
Earnings on Investments	1,808,745	7,864,822	9,673,567
Other Revenues	26,120,864	-	26,120,864
Total Revenues	28,897,500	31,534,166	60,431,666
Expenditures:			
Bond Issuance Cost	2,209,818	-	2,209,818
Capital Outlay	125,390,637	34,443,271	159,833,908
Total Expenditures	127,600,455	34,443,271	162,043,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,702,955)	(2,909,105)	(101,612,060)
Other Financing Sources:			
Transfers In:			
General Debt Service Fund	37,469,125	-	37,469,125
Proceeds from Bonds	111,680,000	-	111,680,000
Premiums on Bonds Issued	7,039,843	-	7,039,843
Total Other Financing Sources	156,188,968	-	156,188,968
Other Financing Uses:			
Principal Paid to Bond Agent for Refunded Bonds	69,160,900	-	69,160,900
Interest Paid to Bond Agent for Refunded Bonds	6,651,575	-	6,651,575
Total Other Financing Uses	75,812,475	-	75,812,475
Total Other Financing Sources (Used)	80,376,493	-	80,376,493
Net Change in Fund Balance	(16,415,562)	(2,909,105)	(19,324,667)
Fund Balances at Beginning of Year	140,794,364	18,432,185	159,226,549
Fund Balances at End of Year	\$ 124,288,892	\$ 15,524,080	\$ 139,812,882

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
BEQUEST FUNDS
 June 30, 2005

	Permanent Funds			Total
	Bequest Funds	Cemetery Trust		
ASSETS				
Cash.....	\$ -	\$ 47,344	\$	47,344
Restricted Cash.....	-	108,465		108,465
Investments.....	42,958	1,054,856		1,097,814
Total Assets.....	\$ 42,958	\$ 1,210,665	\$	1,253,623

LIABILITIES AND FUND BALANCES

Liabilities:				
Total Liabilities.....	\$ -	\$ -	\$	-
Fund Balances:				
Reserved for Restricted Assets.....	42,958	1,210,665		1,253,623
Total Fund Balances.....	42,958	1,210,665	\$	1,253,623
Total Liabilities and Fund Balances.....	\$ 42,958	\$ 1,210,665	\$	1,253,623

See accompanying independent auditors' report.

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
BEQUEST FUNDS
 For the Year Ended June 30, 2005

	Permanent Funds			Total
	Bequest Funds	Cemetery Trust		
Revenues:				
Investment Income.....	\$ 814	\$ 19,989	\$	20,803
Total Revenues.....	814	19,989	\$	20,803

Expenditures:

Total Expenditures.....	-	-		-
Total Revenues Over Expenditures.....	814	19,989		20,803
Fund Balance, Beginning.....	42,144	1,190,676		1,232,820
Fund Balance, Ending.....	\$ 42,958	\$ 1,210,665	\$	1,253,623

See accompanying independent auditors' report.

City of Detroit
COMBINING STATEMENT OF NET ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005

ASSETS				
	Condemnation Award Fund	Fire Insurance Escrow Fund	Other Agency Funds	Total
Cash.....	\$ 1,425,578	\$ 351,826	\$ 733,223	\$ 2,508,627
Investments.....	-	8,639,787	-	8,639,787
Due from Other Funds.....	-	185,281	-	185,281
Total Assets.....	\$ 1,425,578	\$ 9,176,894	\$ 733,223	\$ 11,335,695
LIABILITIES				
Accounts Payable.....	\$ -	\$ 62,743	\$ -	\$ 62,743
Awards Payable.....	1,425,578	-	-	1,425,578
Advances from Outside Sources.....	-	8,875,746	-	8,875,746
Escrow Payable.....	-	-	733,223	733,223
Due to Other Funds.....	-	238,405	-	238,405
Total Liabilities.....	\$ 1,425,578	\$ 9,176,894	\$ 733,223	\$ 11,335,695

See accompanying independent auditors' report.

City of Detroit
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Condemnation Award Fund				
Assets				
Cash.....	\$ 1,425,578	\$ -	\$ 39,052	\$ 1,425,578
Total Assets.....	\$ 1,425,578	\$ -	\$ 39,052	\$ 1,425,578
Liabilities				
Accounts and Contracts Payable.....	\$ 1,464,630	\$ -	\$ 39,052	\$ 1,425,578
Total Liabilities.....	\$ 1,464,630	\$ -	\$ 39,052	\$ 1,425,578
Fire Insurance Escrow Fund				
Assets				
Cash.....	\$ 203,890	\$ 4,596,809	\$ 4,448,873	\$ 351,826
Investments.....	7,108,506	2,816,281	1,285,000	8,639,787
Due from Other Funds.....	185,281	-	-	185,281
Total Assets.....	\$ 7,497,677	\$ 7,413,090	\$ 5,733,873	\$ 9,176,894
Liabilities				
Accounts and Contracts Payable.....	\$ 294,185	\$ 1,737,657	1,969,109	\$ 62,743
Due to Other Funds.....	117,215	167,377	46,186	238,405
Other Liabilities.....	7,086,276	3,538,731	1,249,261	8,875,746
Total Liabilities.....	\$ 7,497,676	\$ 5,443,775	\$ 3,264,536	\$ 9,176,895
Other Agency Funds				
Assets				
Cash.....	\$ 733,223	\$ 3,014	\$ -	\$ 733,222
Total Assets.....	\$ 733,223	\$ 3,014	\$ -	\$ 733,222
Liabilities				
Other Liabilities.....	\$ 733,223	\$ 3,014	\$ -	\$ 733,222
Total Agency Funds				
Assets				
Cash.....	\$ 2,308,728	\$ 4,599,423	\$ 4,487,974	\$ 2,420,177
Investments.....	7,108,506	2,816,281	1,285,000	8,639,787
Due from Other Funds.....	185,281	-	-	185,281
Total Assets.....	\$ 9,602,515	\$ 7,415,704	\$ 5,772,974	\$ 11,335,695
Liabilities				
Accounts and Contracts Payable.....	\$ 1,758,815	\$ 1,757,657	\$ 2,006,161	\$ 1,488,321
Due to Other Funds.....	117,215	167,377	46,186	238,405
Other Liabilities.....	7,816,485	3,541,745	1,249,261	9,605,969
Total Liabilities.....	\$ 9,682,515	\$ 5,446,789	\$ 3,301,608	\$ 11,335,695

See accompanying independent auditors' report.

CITY OF DETROIT

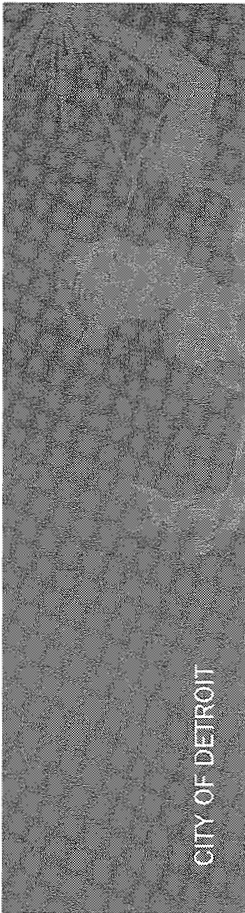


In preparation for the Major League All-Star Game in July, emergency responders participate in a **homeland security** emergency response exercise in May at Comerica Park.

STATISTICAL

The Statistical Section contains:

General Governmental Revenues by Source— Last Ten Fiscal Years
General Governmental Expenditures by Function—
Last Ten Fiscal Years
Property Tax Levies and Collections — Last Ten Fiscal Years
Adjusted Tax Levies and Tax Collections by Levies —
Last Ten Fiscal Years
Assessed and Estimated Actual Value of Taxable Property —
Last Ten Fiscal Years
Property Tax Rates and Levies — All Overlapping Governments —
Last Ten Fiscal Years
Special Assessment Additions and Deductions — Last Ten
Fiscal Years
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt
per Capita — Last Ten Fiscal Years
Legal Debt Margin
Computation of Direct and Overlapping Debt—
General Obligation Bonds
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Governmental Expenditures
— Last Ten Fiscal Years
Revenue Bond Coverage — Last Ten Fiscal Years
Real Property Value, Construction Permits and Bank Deposits —
Last Ten Fiscal Years
Principal Taxpayers
Largest Private Employers
Miscellaneous Statistics



CITY OF DETROIT



Shoppers marvel at the breathtaking array of flowers at Eastern Market's **Flower Day** in May. Flower Day is a much-anticipated annual rite of spring for thousands of metro Detroiters.

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Runners speed to the finish line at the **Heat the Streets Run and Walk for Warmth** last February to raise money to assist low-income residents with their utility costs.

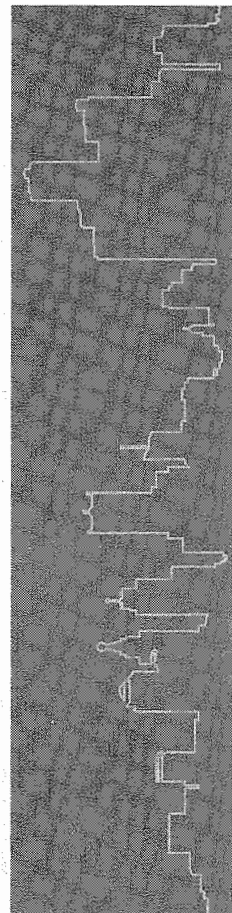


Table 1

City of Detroit, Michigan
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)
 Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010
Business Classification (2)								
Taxes, Assessments, Licenses and Fees	\$ 708,897	\$ 738,237	\$ 748,737	\$ 748,737	\$ 748,737	\$ 748,737	\$ 748,737	\$ 748,737
Grants, Donations, and Incentives	28,439	28,439	28,439	28,439	28,439	28,439	28,439	28,439
Shared Taxation and Incentives	7,673	7,673	7,673	7,673	7,673	7,673	7,673	7,673
State and Federal Grants	1,765,448	1,765,448	1,765,448	1,765,448	1,765,448	1,765,448	1,765,448	1,765,448
State and Federal Charges for Services	33,373	33,373	33,373	33,373	33,373	33,373	33,373	33,373
Ordinance Fines	25,329	25,329	25,329	25,329	25,329	25,329	25,329	25,329
Revenue from Use of Assets	45,329	45,329	45,329	45,329	45,329	45,329	45,329	45,329
Other Revenues	65,329	65,329	65,329	65,329	65,329	65,329	65,329	65,329
Total Revenues	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344

(1) Includes general, special revenue, debt service, capital projects, and permanent funds.
 (2) Library revenues have been removed for all years. Prior to 2002 the Detroit Public Library was included in the Special Revenue Fund of the City. It is now being reported as a Component Unit.

Table 2

City of Detroit, Michigan
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)
 Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010
Business Classification (2)								
Public Utilities	\$ 1,413,482	\$ 1,413,482	\$ 1,413,482	\$ 1,413,482	\$ 1,413,482	\$ 1,413,482	\$ 1,413,482	\$ 1,413,482
Health	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270
Recursion and Culture	95,266	95,266	95,266	95,266	95,266	95,266	95,266	95,266
Economic Development	72,259	72,259	72,259	72,259	72,259	72,259	72,259	72,259
Community Development	22,863	22,863	22,863	22,863	22,863	22,863	22,863	22,863
Housing Supply and Control	301,185	301,185	301,185	301,185	301,185	301,185	301,185	301,185
Physical Environment	46,273	46,273	46,273	46,273	46,273	46,273	46,273	46,273
Transportation	165,208	165,208	165,208	165,208	165,208	165,208	165,208	165,208
Development and Management	165,208	165,208	165,208	165,208	165,208	165,208	165,208	165,208
Debt Service	165,208	165,208	165,208	165,208	165,208	165,208	165,208	165,208
Capital Outlay	165,208	165,208	165,208	165,208	165,208	165,208	165,208	165,208
Total Expenditures	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344	\$ 1,802,344

(1) Includes general, special revenue, debt service, capital projects, and permanent funds.
 (2) Library expenditures have been removed for all years. Prior to 2002 the Detroit Public Library was included in the Special Revenue Fund of the City. It is now being reported as a Component Unit.

Table 3

City of Detroit, Michigan
Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Current and Prior Year's Adjustments (2)	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1996 (1)	201,028	180,615	89.85	11,949	192,564	95.79	(13,380)	77,780	38.69
1997 (1)	203,546	189,097	90.67	15,038	204,125	97.88	(3,559)	78,642	37.71
1998 (1)	218,533	195,536	88.56	15,968	209,504	95.87	(6,108)	79,267	36.27
1999 (1)	224,248	198,594	88.01	14,302	213,896	95.38	(8,761)	80,858	36.06
2000 (1)	231,310	210,305	91.14	17,606	228,411	98.75	(6,939)	76,896	33.24
2001 (1)	254,397	218,915	86.05	15,864	234,769	92.28	(1,349)	95,285	37.46
2002 (1)	243,710	214,435	87.17	21,433	235,868	96.78	(15,918)	79,136	32.47
2003 (1)	246,284	209,628	84.38	16,663	224,291	91.07	(10,915)	80,204	36.63
2004 (2)	242,235	231,696	95.65	17,677	249,373	102.85	(2,945)	80,121	33.08
2005 (2)	254,533	238,059	93.53	8,942	247,001	97.04	(6,088)	81,565	32.04

(1) Includes General, Library and Debt Service Funds
(2) Includes additions, deductions, cancellations and adjustments
(3) Fiscal Years 2002-2004 do not include Library amounts.

Table 4

City of Detroit, Michigan
Adjusted Tax Levies and Tax Collections by Levies
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year	Total Tax Levy	Net Taxable	Less Cancellations and Adjustments	Net Additions Deductions to (from) Tax Levy	Ratio to Adjusted Tax Levy
1996 (1)	201,028	195,106	(5,922)	-	99.15
1997 (1)	203,546	203,551	(4,995)	-	98.91
1998 (1)	218,533	212,117	(6,416)	-	98.70
1999 (1)	224,248	219,021	(5,227)	-	98.24
2000 (1)	231,310	235,818	4,508	-	97.48
2001 (1)	254,397	249,917	(4,480)	-	95.19
2002 (2)	243,710	238,517	(5,193)	-	94.45
2003 (2)	246,284	241,183	(5,101)	-	90.58
2004 (2)	242,235	241,824	(411)	-	95.81
2005 (2)	254,533	250,556	(3,977)	-	95.01

(1) Includes General, Library and Debt Service Funds
(2) Fiscal Years 2002-2005 do not include Library amounts.

Table 5

City of Detroit, Michigan
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year	Real Property (Notes A and B)			Personal Property (Notes A, B and C)			Total (Notes A, B and C)		
	State Equalized Value	Taxable Value	Estimated Actual Value	State Equalized Value	Taxable Value	Estimated Actual Value	State Equalized Value	Taxable Value	Estimated Actual Value
(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)	(Notes D and E)
1997	\$ 4,943,227	\$ 4,703,635	\$ 9,886,454	\$ 1,443,983	\$ 1,443,983	\$ 2,887,966	\$ 6,387,210	\$ 6,147,618	\$ 12,774,420
1998	5,251,875	4,872,236	10,703,750	1,603,341	1,603,341	3,206,682	6,955,216	6,480,577	13,910,432
1999	5,540,201	5,065,031	11,880,402	1,626,585	1,626,585	3,253,170	7,566,786	6,631,616	15,133,572
2000	6,099,952	5,319,200	13,981,924	1,637,482	1,637,482	3,274,964	8,628,444	6,855,682	17,256,889
2001	8,106,178	5,486,262	16,212,356	1,718,119	1,718,119	3,436,238	9,824,377	7,235,385	17,648,564
2002	10,515,544	6,270,865	20,596,688	1,749,983	1,749,983	3,499,966	12,484,327	7,976,048	21,664,604
2003	10,568,533	6,470,987	21,337,666	1,733,222	1,733,222	3,466,444	12,841,755	7,844,209	24,063,510
2004	11,177,226	6,828,951	22,354,452	1,597,199	1,597,199	3,014,398	12,684,425	8,335,790	25,368,569
2005	11,645,064	7,168,723	23,390,128	1,611,481	1,611,481	3,222,962	13,556,545	8,749,830	26,513,099
2006									

Note A — Excludes qualified real and personal properties exempted from ad valorem property taxes but subject to a specific Industrial Facilities tax under the State Plant Rehabilitation and Industrial Development Districts Act of 1974.

Note B — Beginning with fiscal year 1995/1996 taxable values cannot exceed the statewide rate of inflation of the prior year on a per parcel basis, except where increases are due to physical changes in the parcel (P.A.415 of 1994). This represents the taxable amount of the state equalized value.

Note C — Excludes inventories which are exempted from the assessed values by the State Single Business Tax Act of 1974.

Note D — State Equalized Value (50% of true cash value).

Note E — Assessment Date—December 31 preceding year of levy.

Table 6

City of Detroit, Michigan
PROPERTY TAX RATES AND LEVIES —
ALL OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year	Tax Rates — Mills				County (Note B)			
	City (Note A)	Library	School	State	City (Note A)	Library	School	State
1997	31.2830	2.6400	25.5000	6.0000	31.2830	2.6400	25.5000	6.0000
1998	31.2280	2.6400	25.5900	6.0000	31.2280	2.6400	25.5900	6.0000
1999	31.1750	2.6400	24.4500	6.0000	31.1750	2.6400	24.4500	6.0000
2000	31.0950	2.6400	23.9000	6.0000	31.0950	2.6400	23.9000	6.0000
2001	31.6783	3.6331	25.0000	6.0000	31.6783	3.6331	25.0000	6.0000
2002	31.9000	3.6331	28.5000	6.0000	31.9000	3.6331	28.5000	6.0000
2003	30.8780	3.6331	31.1900	6.0000	30.8780	3.6331	31.1900	6.0000
2004	30.8808	3.6331	31.8000	5.0000	30.8808	3.6331	31.8000	5.0000
2005	30.4359	3.6331	31.0000	6.0000	30.4359	3.6331	31.0000	6.0000
2006	30.0201	4.6307	30.6236	6.0000	30.0201	4.6307	30.6236	6.0000

Fiscal Year	Tax Levies				County (Note B)			
	City (Note A)	Library	School	State	City (Note A)	Library	School	State
1997	\$ 192,316	\$ 16,230	\$ 116,328	\$ 36,855	\$ 192,316	\$ 16,230	\$ 116,328	\$ 36,855
1998	201,503	17,030	123,999	38,703	201,503	17,030	123,999	38,703
1999	206,741	17,507	119,113	39,790	206,741	17,507	119,113	39,790
2000	213,208	18,102	119,281	41,140	213,208	18,102	119,281	41,140
2001	228,223	26,174	132,788	43,226	228,223	26,174	132,788	43,226
2002	243,710	27,756	166,268	45,839	243,710	27,756	166,268	45,839
2003	246,284	28,977	193,401	47,856	246,284	28,977	193,401	47,856
2004	242,235	28,498	192,090	39,221	242,235	28,498	192,090	39,221
2005	254,533	30,284	258,409	50,015	254,533	30,284	258,409	50,015
2006	262,670	40,518	267,951	52,499	262,670	40,518	267,951	52,499

Note A — Includes millage to pay cash rentals to the City of Detroit Building Authority to cover principal and interest on authority bonds issued to finance construction of a new Detroit General Hospital and to pay Wayne County for debt service on County Drainage District Bonds issued for Detroit No. 1 thru 1994.

Note B — The County tax rates and tax levies shown are against properties situated within the City of Detroit. The total assessed valuation used in determining the County tax rate recognizes adjustments in assessed valuation made after the City tax rate is determined.

City of Detroit, Michigan
SPECIAL ASSESSMENTS, ADDITIONS AND DEDUCTIONS
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Beginning Balance	Deductions		Ending Balance
		Additions	Cancellations and Adjustments	
1996	2,065,681	-	58,180	1,857,495
1997	1,857,495	-	105,500	1,538,659
1998	1,538,659	231,733	27,655	1,662,767
1999	1,662,767	4,897,716	473,697	5,836,408
2000	5,836,408	39,622	152,117	5,704,102
2001	5,704,102	-	80,553	5,261,515
2002	5,261,515	19,427	118,793	4,997,947
2003	4,977,947	23,865,681	75,529	28,407,642
2004	28,407,642	529,869	800,396	27,996,413
2005*	27,996,413	-	1,574,915	26,044,657

Table 8

City of Detroit, Michigan
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Fiscal Years
 (Dollars Expressed in Thousands)
 Unaudited

Fiscal Year	Net Debt	Taxable Assessed Value (Note A)	Ratio of Net Debt to Taxable Assessed Value		Population (Note B)	Net Debt Per Capita
			(Note A)	(Note B)		
1996 (C)	\$ 1,120,872	\$ 5,887,324	19.04	1,000,272	5	1,121
1997 (C)	1,101,020	6,147,618	17.91	1,000,272		1,100.72
1998 (C)	1,068,048	6,450,576	16.56	1,000,272		1,067.76
1999 (C)	1,042,641	6,631,616	15.72	1,000,272		1,042.36
2000 (C)	1,021,005	6,856,682	14.89	951,270		1,073.31
2001 (C)	935,080	7,204,381	13.02	951,270		986.13
2002 (C)	962,133	7,639,805	12.59	951,270		1,011.42
2003 (C)	905,624	7,976,048	11.40	951,270		956.22
2004 (C)	1,104,034	7,844,210	14.07	951,270		1,160.60
2005 (C)	1,269,104	8,335,790	14.50	951,270		1,271.05

Note A - Assessed Values are the State equalized valuations.

Note B - Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports. The population count for the City released by the U.S. Bureau of census figure for 2000 was 951,270. Subsequent years are from the U.S. Census Bureau March census estimates. The 2000 population count not available.

Note C - Beginning with Fiscal Year 1995-96, taxable values cannot exceed the statewide rate of inflation of the prior year on a parcel basis, except where increases are due to physical changes in the parcel (P.A. 415 of 1994).

Table 9

City of Detroit, Michigan
LEGAL DEBT MARGIN
June 30, 2005
Unaudited

Assessed Value Fiscal Year 2004-06 (State Equalized)	Net Debt	Percent of Assessed Value	Legal Limitation	Legal Debt Margin
Allowance under Act 198, Mich. 1974.....	\$ 12,713,648.477			
Allowance under Act 228, Mich. 1975.....	361,731.928			
Allowance under Act 147, Mich. 1992.....	718,995.590			
Allowance under Act 147, Mich. 1992.....	26,933.294			
Allowance under Act 147, Mich. 1992.....	86,772.803			
Total Assessed Value Fiscal Year 2004-06.....	\$ 13,907,485.597	10.00%	\$ 1,390,748.559	
Net Direct Debt Subject to General Debt Limitation:				
General Obligation Bonds (Note A).....	\$ 579,850,000			
General Bonds - Limited Tax.....	139,466,000			
Limited Obligation Economic Development Bonds - District Court, Madison Center Project.....	8,918,510			
Total Net Direct Debt Subject to General Debt Limitation.....	\$ 728,234,510			\$ 663,520,049
Net Direct Debt Not Subject to General Debt Limitation (Note B):				
Direct Debt:				
General Obligation:				
General Detroit Resource Recovery Bonds.....	\$ 156,900,986			
Limited Obligation Economic Development Bonds.....	63,900,000			
Resource Recovery Project.....	98,995,000			
Revenue Bonds:				
Convention Facility - Cobo Center Expansion.....	95,003,208			
Local Development Finance Authority Tax Increment Bonds - Jefferson Center Revitalization Project.....	52,665,236			
Local Development Finance Authority Tax Increment Bonds - Sewage Disposal System.....	78,979,982			
Tax Increment Finance Authority Bonds - DDA.....	2,489,065,975			
Water Supply System.....	142,838,501			
Water Supply System - Trapper's Alley Project.....	1,845,116,214			
Domestic Development Authority - Trapper's Alley Project.....	2,800,000			
Federal Note - Carrac Pharmaceutical Project.....	4,266,000			
Federal Note - Perry Street Project.....	2,815,000			
Federal Note - Riverfront Project.....	1,840,000			
Federal Note - Suburban Project.....	1,070,000			
Federal Note - Suburban Project.....	315,000			
Federal Note - New Amsterdum Project.....	7,799,000			
Federal Note - New Amsterdum Project.....	9,700,000			
Revenue Anticipation Notes Series 2005.....	54,445,000			
Total Net Direct Debt Not Subject to General Debt Limitation.....	\$ 5,853,920,722			

Note A - General Obligation Bonds are subject to the general debt limitation, as established under State Law. After the effective date (December 22, 1979) of an amendment to the State Constitution, the City may not issue general obligation bonds payable from the City's general fund without a vote of the electorate.

Note B - Pursuant to State Law, certain exclusions to the debt limitations are permitted for the following purposes: special assessment bonds and certain vehicle highway fund bonds, even though they are a general obligation of the City; revenue bonds payable from revenues and bonds secured by a mortgage or deed of trust; bonds, contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan or a court of competent jurisdiction; obligations incurred for water supply, sewage, drainage, refuse disposal or resource recovery projects necessary to protect the public health by abating pollution; bonds issued to acquire, housing for which certain rent subsidies will be received by the City or an agency thereof; and bonds issued to refund money advanced or paid for certain special assessments.

TABLE 10

City of Detroit, Michigan
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2005
Unaudited

	Gross Debt	Less Redemption Funds	Net Debt	% Applicable To Direct Debt	Direct Share
Direct Debt:					
General Obligation:					
General Bonds - Unlimited Tax.....	\$ 579,850,000	\$ -	\$ 579,850,000		
General Bonds - Limited Tax.....	399,466,000	-	399,466,000		
Detroit Building Authority Bonds.....	8,918,510	1,003,444	8,918,510		
Greater Detroit Resource Recovery Authority Bonds.....	183,000,000	26,099,014	156,900,986		
Limited Obligation Economic Development Bonds - Resource Recovery Project.....	63,900,000	-	63,900,000		
Total General Obligation.....	1,236,266,954	27,102,458	1,209,164,496	100.00%	\$ 1,209,164,496
Revenue Bonds:					
Convention Facility - Cobo Center Expansion.....	125,013,138	30,099,930	95,003,208		
Detroit Building Authority - Parking and Arena System.....	60,840,000	8,238,764	52,601,236		
Local Development Finance Authority Tax Increment Bonds - Jefferson Center Revitalization Project.....	86,210,000	7,280,498	78,929,502		
Sewage Disposal System (Note C).....	2,664,424,573	167,346,598	2,497,077,975		
Tax Increment Finance Authority Bonds - DDA.....	166,473,198	23,444,697	143,028,501		
Water Supply System (Note C).....	1,891,615,000	146,498,686	1,745,116,314		
Total Revenue Bonds.....	5,086,582,909	383,033,173	4,703,549,736	100.00%	\$ 4,703,549,736
Total Direct Debt.....	6,322,789,863	410,135,631	5,912,654,232		
Overlapping Debt:					
School District of the City of Detroit General Obligation Bonds (Note A).....	1,077,035,000	1,466,816,577	10,318,423	100.00%	\$ 10,318,423
Wayne County Community College Bonds (Note A).....	122,525,993	30,789,666	101,736,327	18.10%	\$ 18,414,275
Wayne County Community College Bonds (Note A).....	76,105,000	19,779,228	56,325,772	28.87%	\$ 16,261,251
Total Overlapping Debt.....	1,675,665,993	1,507,385,471	168,280,522		
Total Debt Not Subject to the Debt Limitation of the City.....	4,266,000	-	4,266,000		
Federal Note - Ferry Street Project (Note A).....	2,815,000	-	2,815,000		
Federal Note - Riverfront Project (Note A).....	1,840,000	-	1,840,000		
Federal Note - Suburban Project (Note A).....	1,070,000	-	1,070,000		
Federal Note - Suburban Project (Note A).....	315,000	-	315,000		
Federal Note - New Amsterdum Project (Note A).....	9,700,000	-	9,700,000		
Revenue Anticipation Notes Series 2005.....	54,445,000	-	54,445,000		
Federal Note - Carrac Pharmaceutical Project.....	4,266,000	-	4,266,000		
Federal Note - Perry Street Project.....	2,815,000	-	2,815,000		
Federal Note - Riverfront Project.....	1,840,000	-	1,840,000		
Federal Note - Suburban Project.....	1,070,000	-	1,070,000		
Federal Note - Suburban Project.....	315,000	-	315,000		
Federal Note - New Amsterdum Project.....	7,799,000	-	7,799,000		
Federal Note - New Amsterdum Project.....	9,700,000	-	9,700,000		
Revenue Anticipation Notes Series 2005.....	54,445,000	-	54,445,000		
Total Debt Not Subject to the Debt Limitation.....	153,181	-	153,181		
Total Debt Not Subject to the Debt Limitation.....	\$ 8,130,566,056	\$ 1,917,521,102	\$ 6,213,044,954		
Total Debt Not Subject to the Debt Limitation.....	\$ 8,130,566,056	\$ 1,917,521,102	\$ 6,213,044,954		

Note A - Debt is secured by future Black Grant Revenues.

Note B - Amount shown is Cash funded redemption funds additionally secured by surety bonds.

Table 11

City of Detroit, Michigan
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years
(Dollars Expressed in Thousands)
Unaudited

Year Ending June 30,	Principal	Interest	Other Expenditures	Total Debt Service	Total General Governmental Expenditures	Ratio of Total Debt Service to Total General Governmental Expenditures
1996	\$ 44,219	\$ 47,828	\$ -	\$ 92,047	\$ 1,365,376	6.74%
1997	71,756	51,736	-	123,492	1,450,723	8.51%
1998	56,375	59,774	400	116,549	1,535,771	7.57%
1999	58,842	57,737	100	116,679	1,588,352	7.35%
2000	71,061	55,908	100	126,169	1,730,390	7.29%
2001	79,319	47,584	78	126,981	1,739,481	7.30%
2002	79,569	42,443	2,571	124,583	1,951,846	6.38%
2003	86,770	43,761	1,652	132,183	1,981,446	6.67%
2004	86,898	47,444	4,546	138,888	2,169,955	6.40%
2005	73,544	51,462	5,193	130,199	2,072,153	6.28%

Table 12

City of Detroit, Michigan
REVENUE BOND COVERAGE
Last Ten Fiscal Years
Unaudited

Type	Fiscal Year	Gross Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage	
					Principal	Interest		Total
Automobile Parking.....	1996	\$ 16,227,762	\$ 7,972,813	\$ 8,254,949	\$ 2,875,000	\$ 3,056,467	\$ 1.23	
	1997	16,990,228	7,825,610	9,164,618	1,925,000	2,024,314	1.48	
	1998	17,000,259	8,006,433	8,993,826	2,725,000	2,371,277	1.71	
	1999	17,876,661	8,562,116	9,314,545	2,440,000	2,272,545	1.78	
	2000	18,497,117	9,461,218	9,035,899	4,440,000	4,111,202	1.48	
	2001	18,230,188	9,461,285	8,768,903	5,140,000	4,584,435	1.06	
	2002	20,631,973	9,654,687	11,077,286	5,245,000	5,164,453	1.05	
Sewerage.....	2003	19,478,139	11,155,985	8,322,154	5,500,000	5,165,405	0.76	
	2004	19,478,139	11,155,985	8,322,154	5,915,000	5,492,219	0.76	
	2005	22,601,691	14,005,362	8,596,329	6,630,000	10,090,120	0.83	
	2006	22,601,691	14,005,362	8,596,329	6,630,000	10,090,120	0.83	
Wastewater.....	1996	\$ 19,478,139	\$ 12,940,772	\$ 6,537,367	\$ 9,435,000	\$ 35,655,568	1.72	
	1997	20,577,524	14,302,972	6,274,552	19,450,000	30,959,579	1.10	
	1998	21,586,750	15,148,431	6,438,319	19,900,000	30,888,895	1.10	
	1999	22,825,497	16,048,431	6,777,066	20,350,000	31,125,066	1.10	
	2000	23,925,497	16,948,431	6,977,066	20,800,000	31,575,066	0.93	
	2001	25,278,530	17,848,431	7,430,099	20,250,000	40,418,532	0.86	
	2002	26,973,565	17,748,430	9,225,135	22,480,744	47,646,787	0.85	
Water.....	2003	28,811,143	17,748,430	11,062,713	24,890,744	59,011,182	1.06	
	2004	38,411,143	17,748,430	20,662,713	33,650,000	75,231,586	1.00	
	2005	38,411,143	17,748,430	20,662,713	37,765,000	79,563,876	1.06	
	2006	31,558,275	15,400,354	16,157,921	32,590,000	81,510,921	1.36	
Water.....	1996	\$ 156,540,046	\$ 113,277,863	\$ 43,262,184	\$ 7,675,000	\$ 21,971,576	\$ 29,648,576	1.06
	1997	162,857,412	121,271,350	41,586,062	10,115,000	27,263,396	37,384,136	1.06
	1998	171,159,319	121,261,405	49,897,914	11,135,000	28,904,534	38,033,924	1.13
	1999	185,962,569	125,855,197	60,107,372	11,135,000	27,607,083	38,742,083	1.55
	2000	193,345,234	146,559,155	46,786,079	16,775,000	50,663,174	66,447,373	0.70
	2001	194,445,009	146,794,164	47,650,845	17,775,000	44,660,386	61,444,855	0.76
	2002	220,770,339	152,048,538	68,721,801	20,845,000	51,866,300	79,581,601	0.97
Water.....	2003	245,613,183	152,561,719	93,051,464	20,145,000	67,234,990	102,286,459	1.18
	2004	266,610,485	155,953,791	110,656,694	20,145,000	85,938,993	187,598,093	0.95

(1) Operating Expenses Excluding Depreciation.

Table 14
City of Detroit, Michigan
PRINCIPAL TAXPAYERS
For the Year Ended June 30, 2005
Unaudited

Taxpayer	Type of Business	Real Estate			Personal Property			Total		
		Taxable Value	% of Total	% of Total	Taxable Value	% of Total	% of Total	Taxable Value	% of Total	% of Total
Delmar-City of Detroit Corporation	Business	\$ 41,499,338	0.72	0.72	\$ 18,270,660	8.56	8.56	\$ 59,769,998	4.31	4.31
Detroit Edison Corporation	Utility	1,655,472	0.03	0.03	145,691,783	9.67	9.67	147,347,255	1.07	1.07
General Motors Corporation	Automotive	123,190,896	1.80	1.80	-	-	-	123,190,896	0.89	0.89
Michigan Council (Ipsed Co.)	Real Estate	16,901,289	0.23	0.23	75,022,600	4.90	4.90	91,923,889	0.67	0.67
Riverfront Holdings Inc.	Auto Supplier	53,207,221	0.90	0.90	42,734,421	2.47	2.47	95,941,642	0.70	0.70
America's Air	Real Estate	-	-	-	11,074,460	0.79	0.79	11,074,460	0.08	0.08
Chrysler-Wheeler LLC	Auto Supplier	28,426,871	0.42	0.42	22,279,850	1.35	1.35	50,706,721	0.37	0.37
Crestline Casino LLC	Casino	16,554,372	0.25	0.25	1,348,127,154	89.45	89.45	1,364,681,526	99.72	99.72
Detroit Entertainment LLC	Casino	69,357,735	0.98	0.98	-	-	-	69,357,735	0.51	0.51
Total		\$ 414,993,338	6.87	6.87	\$ 1,348,127,154	89.45	89.45	\$ 1,763,120,492	11.00	11.00
Total City Taxable Value Fiscal Year 2004-05		\$ 414,993,338		\$ 1,348,127,154		\$ 1,763,120,492		\$ 1,763,120,492		\$ 1,763,120,492

Table 13
City of Detroit, Michigan
REAL PROPERTY VALUE, CONSTRUCTION PERMITS AND BANK DEPOSITS
Last Ten Fiscal Years
(Dollars Expressed in Millions)
Unaudited

Fiscal Year	Real Property Value (Note 1)			New Construction (Note 2)			Alterations/Additions (Note 2)			Commercial Bank Deposits (Note 3)	
	Residential	Commercial	Exempt	No. of Bldgs.	Value	% of Bldgs.	No. of Bldgs.	Value	% of Bldgs.	No. of Bldgs.	Value
1996	\$ 3,110	\$ 1,488	N/A	63	\$ 17,400	313	\$ 227,591	2,819	\$ 37,560	965	\$ 255.53
1997	3,145	1,559	N/A	69	2,599	370	223,310	3,416	91,49	809	253.46
1998	3,217	1,610	N/A	90	33,332	343	256,37	4,693	77,02	815	431.88
1999	3,218	1,627	N/A	129	47,400	370	297,64	4,726	53,46	823	381.65
2000	3,440	1,790	N/A	140	29,718	331	475,38	5,593	91,17	864	591.39
2001	3,510	1,956	N/A	116	34,311	292	336,62	5,120	122,53	864	575.30
2002	3,925	2,058	N/A	84	10,613	340	385,82	5,087	75,88	1,053	621.18
2003	4,197	2,038	N/A	244	55,118	290	339,78	5,516	86,99	1,414	467.34
2004	4,219	2,140	N/A	483	70,96	338	280,09	5,508	123,56	1,887	338.84
2005	4,343	2,104	N/A	411	81,136	268	243,38	5,418	91,24	975	395.09

Note 1 Source: City of Detroit 2004-2005 Budget
Note 2 Source: City of Detroit Department of Buildings and Safety Engineering
Note 3 Source: The StreetView Data Report for all years prior to 2001. N/A - Data not available.

Table 15
 City of Detroit, Michigan
 LARGEST PRIVATE EMPLOYERS
 June 30, 2005
 Unaudited

Company	Detroit Employees
Detroit Medical Center	10,617
DaimlerChrysler AG	9,900
Henry Ford Health System	7,404
General Motors Corporation	6,311
St. John Health System	4,821
American Axle & Manufacturing Holdings Inc.	4,309
DTE Energy Co.	3,987
Compuware Corp.	3,946
Motor City Casino	2,800
Blue Cross and Blue Shield of Michigan	2,694

SOURCE: Crain's Book of Lists, 2006 Edition, December 2005.

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City of Detroit, Michigan
MISCELLANEOUS STATISTICS
June 30, 2005
Unaudited

Table 16

Year Founded.....	1701
Year of Incorporation.....	1806
Year of Adoption of Present City Charter.....	1996
Form of Government: Nonpartisan - Mayor and Nine-Member Council	
Area in Square Miles.....	137.9
Miles of Shore Line on Detroit River (Excluding Belle Isle).....	10.66
Population (United States Census):	
1930.....	1,568,662
1940.....	1,623,452
1950.....	1,849,568
1960.....	1,670,144
1970.....	1,511,482
1980.....	1,203,339
1990.....	1,027,974
2000.....	951,270
Building Permits:	
Number of Building Permits Issued.....	7,233
Estimated Cost of Construction.....	\$ 815,077,078
Election of November 2005:	
Number of Registered Voters.....	637,870
Number of Ballots Cast.....	328,530
Percentage of Registered Voters Voting.....	51.50 %
Fire Department:	
Number of Fire Stations.....	49
Number of Employees.....	1,796
Number of Fire Fighting Vehicles.....	238
Number of Fire Hydrants.....	38,000
Responses to Fire Alarms (Including 12,454 False Alarms).....	34,160
Responses to Special Calls and Emergency Medical Service Calls.....	151,285
Estimated Fire Loss of Property (FYE 6/30/2002).....	\$ 1,921,197,050
Health Department:	
Number of Employees.....	568
Birth Rate per Thousand (2003).....	14.8
Death Rate per Thousand (2003).....	9.5
Infant Mortality Rate per Thousand Live Births (2003).....	16.3
Libraries:	
Number of Libraries (Including Two Bookmobiles).....	27
Estimated Number of Books.....	3,497,342
Circulation.....	981,689
Number of City Owned Vehicles (Excluding 548 Transportation Department Revenue Vehicles)	
Fire Department Vehicles (Includes 48 EMS Vehicles).....	276
Police Department Vehicles.....	2,342
Transportation Department non-revenue vehicles.....	213
All Other Departments (Passenger Vehicles, Commercial Vehicles and Trucks).....	833
Police Department:	
Number of Stations (Including 16 Mini-Stations).....	28
Number of Employees (Uniform).....	4,673
Number of Traffic Violations Issued (Including 507,573 Parking Tickets).....	736,131
Number of Traffic Ordinance Violations Issued.....	45,121
Number of Arrests (Traffic 16,415) + (Other 48,124).....	79,852
Public Works Department:	
Number of Employees.....	1,316
Miles of Streets (Paved 2,769) + (Unpaved 15).....	2,784
Miles of Alleys (Paved 598.12) + (Unpaved 685.46).....	1,284
Miles of Sidewalks.....	4,265

(Continued)

Table 16

Public Lighting:	
Electric Plant:	
Number of Street Lights.....	87,500
Number of Revenue Customers.....	179
Size of Generating Station in Kilowatts.....	308,391,000
Kilowatt Hours Generated (Net).....	567,529,080
Kilowatt Hours Delivered to System.....	71,852,887
Steam Heating Plants - Steam Produced in Pounds.....	391
Recreation Department:	
Number of Parks, Ornamental Areas, Playfields and Playgrounds Owned (5,108 Acres).....	1
Number of Summer Camps (199 Acres).....	30
Number of Recreation Centers, Playgrounds and School Facilities Operated.....	1
Number of Skating Rinks.....	17
Number of Swimming Pools.....	1
Number of Municipal Beaches.....	269,870
Total Playing Permits Issued at 6 Municipal Golf Courses.....	1
Sewage Disposal System:	
Number of Sewage Disposal Plants.....	12
Number of Pumping Stations.....	3,383
Miles of (Trunk Line 1,125) + (Lateral 2,258) Sewers.....	1,750
Transportation Department:	
Number of Employees.....	561
Number of Revenue Vehicles.....	22,065
Seating Capacity.....	1,198
Number of Route Miles.....	36,000,000
Total Number of Passengers (Estimated).....	\$ 1.50
Regular Fare.....	\$ 5 for \$6.50
Tickets.....	\$ 0.25
Transfers.....	\$ 281,104
Water System:	
Number of Customer Accounts.....	640.0
Average Pumpage - Millions of Gallons per Day.....	1,060,500,000
Greatest Pumpage for a Single Day During Fiscal Year (6-30-04) - July 31, 2003 Gallons.....	52,208,000
Greatest Pumpage for a Single Hour During Fiscal Year (6-30-04) - July 31, 2003 9 pm Gallons.....	1,670.0
Filtration Plant Rated Capacity - Millions of Gallons per Day.....	3,840
Number of Miles of Water Mains.....	\$ 11.49
Average Cost (Includes Domestic, Industrial and Commercial) per 1,000 Cubic Feet.....	\$ 9.663
Employees on Payroll on June 30, 2005:	
Classified (Tax Supported 5,420) + (Revenue Supported 4,243).....	41
Elective (Tax Supported 41) + (Revenue Supported 0).....	326
Appointive (Tax Supported 320) + (Revenue Supported 6).....	5,237
Uniform Police (Tax Supported 5,237) + (Revenue Supported 0).....	15,267
Total Employees (Tax Supported 13,187) + (Revenue Supported 5,742).....	20,290
Total Pensioners as of June 30, 2005.....	

The miscellaneous statistics are for the most part compiled by the respective City Departments.

Honorable Maryann Mahaffey Member Detroit City Retires



In September 2005, Detroit Council Member Maryann Mahaffey, A.C.S.W. announced that she would not run for another term to begin January 2006. Mrs. Mahaffey was elected to Detroit City Council in 1974. She served as Council President Pro Tem (1978-1982 and 1998-2001) and as President (1990-1998) and (2002-2005). She is a Professor Emeritus at the School of Social Work, Wayne State University where she taught from 1965 to 1990. Maryann served 8 terms on City Council.

A native of Burlington, Iowa, she received her undergraduate degree from Cornell College, Iowa, and her Masters of Social Work degree from the University of Southern California. She has been awarded an honorary Doctor of Humane Letters Degree from Cornell College.

As a Detroit City Council member, Maryann designed the first Rape Crisis Center in the Police Department and chaired the City Council Housing Task Force with an emphasis on housing for low-income people. Some of the ordinances she is responsible for include: Emergency Homeless Shelter Licensing Ordinance, Family Child Care Zoning Laws, Home Rental Registration, Repair to Own Home Ordinance, Handgun Safety Training Ordinance, Sexual Harassment Ordinance, and an ordinance barring smoking in city-owned buildings. She authored the Policy on Homelessness for New Detroit, Inc. and the American Orthopsychiatric Association.

The City of Detroit sincerely thanks Councilmember Maryann Mahaffey for her many contributions and untiring years of faithfully serving the citizens of Detroit.

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Our Special Thanks To:

City of Detroit, Michigan
www.ci.detroit.mi.us

Finance Department

**Financial Reporting and
Grants Management Sections
and Staff**

Almon G. Turner Jr, MSA, Manager II

Wollaski and Company, CPA's
and Staff

**General Accounting Section
and Staff**

Richard E. Williams, Manager II

Saied S. Rouhani, Manager I

David Capobres Jr, Manager I

Cynthia Lampkin, Manager I

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and staff

Alan C. Young & Associates, P.C.

and Staff

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for printing this report



CITY OF DETROIT

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Mayor

DETROIT CITY COUNCIL

Kenneth V. Cockrel Jr., President
Monica Conyers, President Pro Tem

JoAnn Watson

Shelia M. Cockrel

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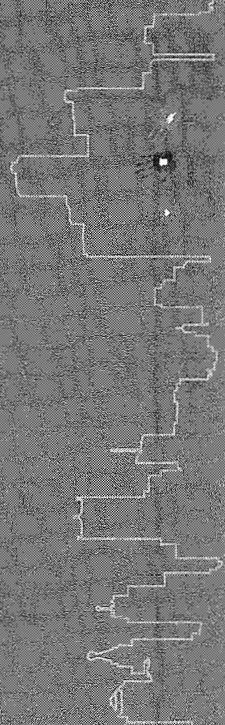
Kwame Kenyatta

Alberta Tinsley-Talbot

Martha Reeves

Brenta Jones

Janice M. Winfrey, City Clerk



APPENDIX D

GLOBAL BOOK-ENTRY SYSTEM

General

The description that follows of the procedures for record keeping about beneficial ownership of the Certificates, payment of principal of and interest on the Certificates, confirmation and transfer of beneficial ownership interests in the Certificates, and other securities-related transactions is based solely on information furnished by The Depository Trust Company (DTC), Clearstream and Euroclear and has not been independently verified by the City, the Service Corporations, the 2006 Funding Trust or the Underwriters.

Beneficial owners of the Certificates may hold their certificates through DTC, which is located in the United States (U.S.), or Clearstream or Euroclear, which are in Europe, if they are participants of one of those systems, or indirectly through organizations that are participants in any of those systems.

DTC will act as a securities depository for the Certificates. Clearstream and Euroclear will hold omnibus positions, on behalf of their respective participants, through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories, which in turn will hold such positions in customers' securities accounts in the names of their respective depositories on the books of DTC.

DTC

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934. DTC holds securities that DTC's participants (**Direct Participants**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Transfers between DTC Participants will occur in accordance with DTC rules. Transfers between Clearstream Participants and Euroclear Participants will occur in the ordinary way in accordance with their applicable rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Participants or Euroclear Participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines based on European time. The relevant European

international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the depositories.

Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a DTC Participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date, and such credits or any transactions in such securities settled during such processing will be reported to the relevant Clearstream Participant or Euroclear Participant on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or a Euroclear Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC. Day traders who use Clearstream or Euroclear and who purchase the Certificates from DTC Participants for delivery to Clearstream Participants or Euroclear Participants should note that these trades may fail on the sale side unless affirmative actions are taken. Participants should consult with their clearing system to confirm that adequate steps have been taken to assure settlement.

Purchases of Certificates under the DTC system must be made by or through DTC Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual owner of a Certificate (**Beneficial Owner**) is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Certificates, except when use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to advise a Beneficial Owner, of any notice of redemption or its content or effect will not affect the validity of the redemption of Certificates called for redemption or any other action premised on such notice.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus

Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants and some other banks, the Beneficial Owner of a Certificate may be limited in its ability to pledge Certificates to persons or entities that do not participate in the DTC system, or to otherwise take actions with respect to those Certificates due to the lack of a physical certificate for those Certificates.

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit the accounts of the DTC Participants, upon DTC's receipt of funds and corresponding detail information from the Trustee, on payment dates in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such DTC Participant and not of DTC, the Trustee or the 2006 Funding Trust, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to DTC Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of DTC Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Trustee. Under such circumstances, if a successor securities depository is not obtained, Certificate certificates are required to be prepared and delivered. The 2006 Funding Trust may decide to discontinue use of the system of book-entry transfers through DTC, or a successor Securities depository. In that event, Certificate certificates will be delivered to the Beneficial Owners of the Certificates.

Clearstream

Clearstream Banking, société anonyme (**Clearstream**) is a limited liability company organized under Luxembourg law and is registered as a bank in Luxembourg. Clearstream holds securities for its Participants and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance, and settlement of internationally traded securities and securities lending and borrowing. Clearstream Participants are financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, and clearing corporations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Euroclear

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear System is owned by Euroclear plc and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (**Euroclear Operator**).

The Euroclear Operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

The Euroclear Operator provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Non-Participants of Euroclear or any other securities intermediary that holds a book-entry interest in the Certificates through one or more securities intermediaries standing between such other securities intermediary and the Euroclear Operator.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, **Terms and Conditions**). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with Persons holding through Euroclear Participants.

Initial Settlement

All global securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors' interests in the global securities will be represented through financial institutions acting on behalf of their participants through their respective depositories, which in turn will hold such positions in accounts as participants of DTC.

Investors electing to hold their global securities through DTC will follow the settlement practices applicable to prior asset-backed certificates issues. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their global securities through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds, except that there will be no temporary global security and no "lock-up" or restricted period. Global securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between Participants of DTC. Secondary market trading between participants of DTC will be settled using the procedures applicable to prior asset-backed certificates issues in same-day funds.

Trading between Clearstream, Luxembourg and/or Euroclear Participants. Secondary market trading between Clearstream, Luxembourg or Euroclear participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC Seller and Clearstream, Luxembourg or Euroclear Purchaser. When global securities are to be transferred from the account of a participant of DTC to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant at least one business day prior to settlement. Clearstream, Luxembourg or Euroclear will instruct the respective depository, as the case may be, to receive the global securities against payment. Payment will include interest accrued on the global securities from and including the last coupon payment date to and excluding the settlement date, on the basis of the

actual number of days in such accrual period and a year assumed to consist of 360 days, or a 360-day year of twelve 30-day months, as applicable. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective depository of the account of the participant of DTC against delivery of the global securities. After settlement has been completed, the global securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the global securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Clearstream, Luxembourg or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream, Luxembourg and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream, Luxembourg or Euroclear. Under this approach, they may take on credit exposure to Clearstream, Luxembourg or Euroclear until the global securities are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to them, Clearstream, Luxembourg or Euroclear participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream, Luxembourg or Euroclear participants purchasing global securities would incur overdraft charges for one day, assuming they cleared the overdraft when the global securities were credited to their accounts. However, interest on the global securities would accrue from the value date. Therefore, in many cases the investment income on the global securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream, Luxembourg or Euroclear participant's particular cost of funds.

Since the settlement is taking place during New York business hours, participants of DTC can employ their usual procedures for sending global securities to the respective European depository for the benefit of Clearstream, Luxembourg or Euroclear participants. The sale proceeds will be available to DTC seller on the settlement date. Thus, to participants of DTC a cross-market transaction will settle no differently than a trade between two participants of DTC.

Trading between Clearstream, Luxembourg or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which global securities are to be transferred from the respective clearing system, through the respective depository, to a participant of DTC. The seller will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct the depository, as appropriate, to deliver the global securities to the account of the participant of DTC against payment. Payment will include interest accrued on the global securities from and including the last coupon payment to and excluding the settlement date on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days, or a 360-day year of twelve 30-day months, as applicable. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream, Luxembourg or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued to the value date (which would be the preceding day when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the

cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear and that purchase global securities from participants of DTC for delivery to Clearstream, Luxembourg or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- Borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- Borrowing the global securities in the U.S. from a participant of DTC no later than one day prior to settlement, which would give the global securities sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear accounts in order to settle the sale side of the trade; or
- Staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the participant of DTC is at least one day prior to the value date for the sale to the Clearstream, Luxembourg or Euroclear participant.

Certain U.S. Federal Income Tax Documentation Requirements

NOTICE PURSUANT TO IRS CIRCULAR 230: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE UNITED STATES INTERNAL REVENUE CODE; (B) THIS OFFERING CIRCULAR IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DISCUSSED HEREIN; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the global securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the global securities as well as the application of the U.S. Treasury regulations relating to tax documentation requirements.

A beneficial owner of global securities holding securities through Clearstream, Luxembourg or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (i) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements and (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate.

Exemption for Non-US. Persons (Form W-8BEN). Beneficial owners of global securities that are non-U.S. Persons can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Withholding Tax). If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

Exemption for Non-U.S. Persons with Effectively Connected Income (Form W-8ECI). A non-U.S. Person including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the U.S., can obtain an exemption from the

withholding tax by filing Form W-8ECI (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or Reduced Rate for Non-U.S. Persons Resident in Treaty Countries (Form W-8BEN). Non-U.S. Persons that are security owners residing in a country that has a tax treaty with the U.S. can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN (including Part II thereof).

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

U.S. Federal Income Tax Reporting Procedure. The owner of a global security files by submitting the appropriate form to the person through whom it holds (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN and Form W-8ECI are effective until the third calendar year from the date the form is signed.

The term "U.S. Person" means:

- a citizen or resident of the U.S.;
- a corporation or partnership, or other entity taxable as such, organized in or under the laws of the U.S. or any state (including the District of Columbia);
- an estate the income of which is includible in gross income for U.S. tax purposes, regardless of its source; or
- a trust, if a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust.

Custody

Investors who are Euroclear Participants may acquire, hold, or transfer interests in the securities by book-entry to accounts with Euroclear Operator. Investors who are not Participants of Euroclear may acquire, hold, or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear.

Custody Risks

Investors that acquire, hold, and transfer interest in the securities by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

The Euroclear Operator has advised as follows:

Under Belgian law, investors that are credited with securities on the records of the Euroclear Operator have a co-property right in the fungible pool of interests in securities on deposit with the Euroclear Operator in an amount equal to the amount of interests in securities credited to their accounts. In the event of the solvency of the Euroclear Operator, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with the Euroclear Operator. If the Euroclear Operator did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Euroclear Participants credited with such interests in securities on the Euroclear Operator's records, all Euroclear Participants having an amount of interests in securities of such type credited to their accounts with the Euroclear Operator would have the right under Belgian law to the return of their *pro rata* share of the amount of interests in securities actually on deposit.

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights, and other entitlements) to any person credited with such interests in securities on its records.

Distributions

Distributions with respect to Certificates held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by its depository. Such distributions will be subject to tax reporting in accordance with relevant U.S. tax laws and regulations. See "UNITED STATES FEDERAL TAX CONSIDERATIONS - Information Reporting and Backup Withholding" in the Offering Circular which precedes this Appendix. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a beneficial owner of the Certificates under the Trust Agreement on behalf of a Clearstream Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to its depository's ability to effect such actions on its behalf through DTC.

DTC, Clearstream, and Euroclear are under no obligation to perform or continue to perform the foregoing procedures, and such procedures may be discontinued at any time.

No one can give any assurance that DTC, Clearstream, or Euroclear, or any of their direct or indirect Participants, will promptly transfer payments or notices received with respect to the Certificates. The 2006 Funding Trust, the Trustee, the Service Corporations and the City are not responsible for the failure of any of those parties to transfer to the Beneficial Owner payments or notices received with respect to the Certificates.

Similarly, no one can give any assurance that any depository will abide by its procedures or that its procedures will not be changed. In the event the 2006 Funding Trust designates a successor securities depository for the Certificates, the successor may establish different procedures

APPENDIX E

INFORMATION ABOUT FINANCIAL GUARANTY

Financial Guaranty has supplied the following information for inclusion in this APPENDIX E. No representation is made by the 2006 Funding Trust, the Service Corporations, the City or the Underwriters as to the accuracy or completeness of this information.

Payments Under the FGIC Policy

Concurrently with the issuance of the FGIC-insured Certificates, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Certificate New Issue Insurance Policy for the FGIC-insured Certificates (the "FGIC Policy"). The FGIC Policy unconditionally guarantees the payment of that portion of the principal and interest on the FGIC-insured Certificates which has become due for payment, but shall be unpaid by reason of nonpayment of the FGIC-insured Certificates by the 2006 Funding Trust (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the FGIC Policy) from an owner of FGIC-insured Certificates or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any FGIC-insured Certificate to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a FGIC-insured Certificate includes any payment of principal or interest (as applicable) made to an owner of a FGIC-insured Certificate which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the FGIC Policy is non-cancellable by Financial Guaranty. The FGIC Policy covers failure to pay principal of the FGIC-insured Certificates on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the FGIC-insured Certificates may have been otherwise called for redemption, accelerated or advanced in maturity. The FGIC Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the FGIC-insured Certificates is accelerated, Financial Guaranty will only be obligated to pay principal and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the FGIC-insured Certificate, appurtenant coupon or right to payment of principal or interest on such FGIC-insured Certificate and will be fully subrogated to all of the FGIC-insured Certificateholder's rights thereunder.

The FGIC Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the FGIC Policy. Specifically, the FGIC Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure FGIC-insured Certificates, Financial Guaranty may be granted certain rights under the FGIC-insured Certificate documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the FGIC-insured Certificates may be

set forth in the description of the principal legal documents appearing elsewhere in the Offering Circular which precedes this Appendix, and reference should be made thereto.

The FGIC Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of The Blackstone Group L.P. – 23%; and affiliates of The Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the FGIC Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At March 31, 2006, Financial Guaranty had net admitted assets of approximately \$3.603 billion, total liabilities of approximately \$2.454 billion, and total capital and policyholders' surplus of approximately \$1.149 billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of March 31, 2006, and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of GAAP, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Appendix. Any statement contained herein under the heading "APPENDIX E" in the Offering Circular, or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Appendix or the Offering Circular. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of the Offering Circular

and prior to the termination of the offering of the FGIC-insured Certificates shall be deemed to be included by specific reference into this Appendix and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the FGIC-insured Certificates, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the FGIC-insured Certificates. Financial Guaranty does not guarantee the market price or investment value of the FGIC-insured Certificates nor does it guarantee that the ratings on the FGIC-insured Certificates will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Offering Circular which precedes this Appendix or any information or disclosure that is provided to potential purchasers of the FGIC-insured Certificates, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the FGIC Policy herein under the heading "APPENDIX E" in the Offering Circular. In addition, Financial Guaranty makes no representation regarding the FGIC-insured Certificates or the advisability of investing in the FGIC-insured Certificates.

XL CAPITAL ASSURANCE

1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 478-3400

MUNICIPAL BOND INSURANCE POLICY

ISSUER: []

Policy No: []

BONDS: []

Effective Date: []

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCAP-005 Form of Municipal Policy [Specimen]

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XLCA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

Name:
Title:

Name:
Title:

XLCAP-005
Form of Municipal Policy [Specimen]

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APPENDIX G

Upon the issuance and delivery of the Certificates, Certificate Counsel, Lewis & Munday, A Professional Corporation, proposes to deliver its opinion in substantially the following form.

June •, 2006

Detroit Retirement Systems Funding Trust 2006
c/o U.S. Bank National Association, as trustee
Detroit, Michigan

Ladies and Gentlemen:

We acted as Certificate Counsel in connection with the issuance by the Detroit Retirement Systems Funding Trust 2006 (the **Funding Trust**) of the Certificates of Participation Series 2006-A and the Certificates of Participation Series 2006-B, (collectively, the **Certificates**) and in that capacity we examined a transcript of the proceedings relating to the issuance of the Certificates.

The Funding Trust was created by the Trust Agreement, dated June •, 2006 (the **Trust Agreement**), between the Detroit General Retirement System Service Corporation (the **GRS Service Corporation**) and the Detroit Police and Fire Retirement System Service Corporation (the **PFRS Service Corporation**), severally and not jointly, and U.S. Bank National Association, as trustee (the **Trustee**). Each of the GRS Service Corporation and the PFRS Service Corporation is herein called a **Service Corporation** and collectively the **Service Corporations**.

The Certificates are issued pursuant to the below defined Resolution and the Service Contracts and under the Trust Agreement. The Certificates evidence undivided, proportionate interests in the rights to receive certain payments (**Funding Trust Receivables**) to be made by the City of Detroit, Michigan (the **City**), under (i) the Detroit General Retirement System Service Contract 2006, dated June 7, 2006, between the City and the GRS Service Corporation and (ii) the Detroit Police and Fire Retirement System Service Contract 2006, dated June 7, 2006, between the City and the PFRS Service Corporation (each, a **Service Contract** and collectively, the **Service Contracts**). The Service Corporations were created pursuant to Ordinance No. 05-05 of the City. The Service Contracts, the formation of the Funding Trust by the Service Corporations and the issuance of certificates of participation thereunder were authorized by resolution of the City Council of the City, adopted on April 26, 2006 (the **Resolution**).

The Service Contracts are administered for the Service Corporations and the Funding Trust by U.S. Bank National Association (the **Contract Administrator**), separately and not as Trustee, pursuant to the Contract Administration Agreement, dated June •, 2006 (the **Contract Administration Agreement**), among the Funding Trust, each of the Service Corporations, severally and not jointly, and the Contract Administrator and other parties named therein.

The Certificates are issued for the purpose of funding (i) the prepayment of certain payments otherwise required to be made by the City under the service contracts it entered into with the Service Corporations on May 25, 2005 (the **2005 Service Contracts**), and (ii) the purchase of certain certificates of participation issued on June 2, 2005 (the **2005 Certificates**). The 2005 Certificates evidence undivided, proportionate interests in certain payments to be made under the 2005 Service Contracts.

The 2005 Service Contracts were entered into by the City with the Service Corporations for the purpose of funding specific amounts of the unfunded accrued actuarial liabilities (**Subject UAAL**) of each of the City's General Retirement System (the **GRS**) and Police and Fire Retirement System (the **PFRS** and with the GRS, the **Retirement Systems**). The effect of funding the Subject UAAL under the 2005 Service Contract was to reduce the financial burden of the Retirement Systems to the City in the present and future years. The 2006 Certificates are intended to have effect of restructuring certain payments under the 2005 Service Contracts and thereby assist the City in fulfilling its constitutional obligations with respect to the Retirement Systems. In consideration for such assistance by the Service Corporations, the City agreed in each Service Contract to pay the Funding Trust Receivables, which include, as service charges, the funding costs of the Service Corporations in obtaining the capital represented by the Certificates.

The City's special labor counsel, Sullivan Ward Asher & Patton PC, rendered an opinion on certain matters of labor law relative to the opinions expressed herein. That opinion is included in the transcript of proceedings.

Based on our examination of the transcript of the proceedings, we are of the opinion that:

1. Each Service Corporation validly exists as a nonprofit corporation under the laws of the State of Michigan and has the corporate power to enter into its Service Contract and the Trust Agreement. The City has the power to enter into the Service Contracts.
2. Each Service Contract was validly authorized, executed and delivered by the respective Service Corporation and the City and is a valid and binding agreement of such Service Corporation and the City and is enforceable in accordance with its terms. Neither the faith and credit nor the taxing power nor any special revenues of the City are pledged to the payment of Funding Trust Receivables, and the obligation of the City to pay Funding Trust Receivables does not constitute indebtedness within the meaning of any limitation of Michigan law applicable to the City.
3. The Contract Administration Agreement was validly authorized, executed and delivered by each of the Service Corporations and, assuming valid authorization, execution and delivery by the Trustee on behalf of the Funding Trust and by the Contract Administrator, is a valid and binding agreement of each of the Service Corporations, enforceable in accordance with its terms.
4. The Trust Agreement was validly authorized, executed and delivered by each of the Service Corporations and, assuming valid authorization, execution and delivery by the Trustee, is a valid and binding agreement of each of the Service Corporations, enforceable in accordance with its terms.

5. The Funding Trust was validly created by the Trust Agreement and has the power to issue and deliver the Certificates.

6. The Certificates were validly issued and delivered by the Funding Trust and represent undivided interests in the Funding Trust Receivables in accordance with their terms.

The enforceability of the Service Contracts, the Contract Administration Agreement and the Trust Agreement may be limited or affected by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable and may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

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APPENDIX H

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking ("**Undertaking**") is executed and delivered by the City of Detroit, County of Wayne, State of Michigan ("**City**") in connection with the issuance of the \$148,540,000 Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A and \$800,000,000 Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B (collectively, "**Certificates**"). The City covenants and agrees for the benefit of the Certificateholders (as defined below) as follows:

(a) **Definitions.** The following terms used in this Undertaking have the following meanings:

"Audited Financial Statements" means the City's audited financial statements prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

"Certificateholder" means the registered owner of any Certificate or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificate (including any person holding a Certificate through a nominee, depository or other intermediary) or (b) treated as the owner of any Certificate for federal income tax purposes.

"Disclosure Representative" means the Finance Director of the City or his designee, or such other officer, employee or agent as the City shall so designate from time to time in writing.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each nationally recognized municipal securities information repository as designated by the SEC in accordance with the Rule.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

"SEC" means the United States Securities and Exchange Commission.

"SID" means the state information depository for the State of Michigan, if any, then designated by the SEC in accordance with the Rule, being the Michigan Municipal Advisory Council as of the date of this Undertaking.

(b) **Continuing Disclosure.** The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to each NRMSIR and to the SID, on or before the 210th day after the end of the fiscal year of the City, commencing with the fiscal year ended June 30, 2006, the Audited Financial Statements, and updates of certain financial and operating data of the City appearing under the headings and tables in the Offering Circular for the Certificates, as follows: Tables 1 through 31, inclusive in Appendix B to the Offering Circular.

Such annual financial information described above is expected to be provided directly by the City and in subsequent Official Statements of the City filed with the MSRB.

In the event that the Audited Financial Statements are not available by the date specified above, they will be provided when available and unaudited financial statements in a format similar to the financial statements contained in the Offering Circular will be filed by such date and the Audited Financial Statements will be filed as soon as available.

If the fiscal year of the City is changed, the City shall send notices of such change to each NRMSIR or the MSRB, and to the SID, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) **Notice of Failure to Disclose.** The City agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) the SID, notice of a failure by the City to provide the annual financial information with respect to the City described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) **Occurrence of Events.** The City agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) the SID, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Certificates, if applicable, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;*
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Certificates;*
- (7) modifications to rights of holders of the Certificates;
- (8) Certificate calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Certificates; and
- (11) rating changes.

* (Events listed in clauses (3) & (6) above are not applicable to the Certificates.)

(e) **Materiality Determined Under Federal Securities Laws.** The City agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) **Termination of Reporting Obligation.** The obligation of the City to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the City no longer remains an "obligated person" with respect to the Certificates within the meaning of the Rule, specifically not including upon economic (as distinct from legal) defeasance of all Certificates.

(g) **Benefit of Certificateholders.** The City agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the Certificateholders and shall be enforceable by any Certificateholder; *provided*, that the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder and any failure by the City to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Certificates or under the Trust Agreement or Service Contracts mentioned in the Certificates.

(h) **Amendments to the Undertaking.** Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Disclosure Representative on behalf of the City; *provided*, that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City or the type of activities conducted by it, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Certificateholders, as determined by parties unaffiliated with the City (such as independent legal counsel), *but* such interpretations may be changed in the future. If the accounting principles to be followed by the City in preparing the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. A notice of the change in accounting principles shall be sent to each NRMSIR or the MSRB and the SID.

IN WITNESS WHEREOF, the City of Detroit has caused this Undertaking to be executed by its authorized officer.

CITY OF DETROIT
County of Wayne
State of Michigan

By _____
Roger Short
Its: Interim Finance Director

Dated as of _____, 2006

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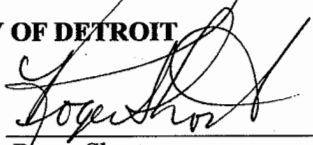
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MUNICIPALITY OF BOSTON

Since its fiscal year ended June 30, 1999, the City has been unable to meet its obligation to provide annual financial information within the periods specified in the applicable continuing disclosure agreements. Annual financial information for fiscal 1999 through 2004 was filed on May 10, 2000, May 28, 2001, May 31, 2002, March 10, 2003, February 9, 2004 (for water supply system bonds and sewage disposal system bonds), March 1, 2004 (for other bonds), February 16, 2005 (for water supply system bonds and sewage disposal system bonds), May 5, 2005 (for other bonds) and June 1, 2006.

Dated: June 7, 2006

CITY OF DETROIT

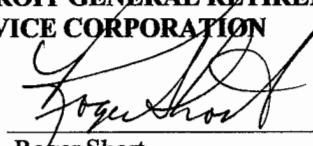
By


Roger Short

Its: Interim Finance Director

**DETROIT GENERAL RETIREMENT SYSTEM
SERVICE CORPORATION**

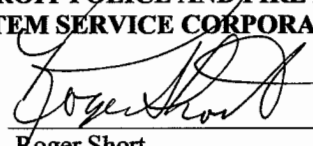
By


Roger Short

Its: President

**DETROIT POLICE AND FIRE RETIREMENT
SYSTEM SERVICE CORPORATION**

By


Roger Short

Its: President

Offering Circular dated June 7, 2006